PARTNERS IN PROSPERITY

The Economic Benefits of Historic Preservation in New Jersey
Anyone who has stayed at a Victorian bed-and-breakfast in Cape May, shopped along Westfield’s revitalized Main Street, opened the door to affordable housing in a 19th century Camden rowhouse, or club-hopped in historic Hoboken knows this instinctively: historic preservation not only restores buildings, it rejuvenates the soul and revitalizes communities. The ambiance and integrity of historic buildings foster a sense of place, a connection to the past and an enhanced quality of life. But along with those intangible qualities is the very quantifiable benefit of dollars and cents. Historic preservation pays, and all New Jersey citizens benefit.

In the nation’s most comprehensive statewide study of the economic benefits of historic preservation, the Rutgers University Center for Urban Policy Research has documented the vigorous role that preservation plays in priming the economic pump. Preservation is a powerful tool in creating jobs, generating income, stimulating tax revenue, nur-
turing tourism and enhancing older cities. As an economic force, it surpasses investment in new housing or commercial construction.

Each $1 million spent on non-residential historic rehabilitation creates 2 jobs more than the same money spent on new construction. It also generates $79,000 more in income, $13,000 more in taxes, and $111,000 more in wealth.

Each year in New Jersey, preservation pours more than half a billion dollars into the economy, including $123 million in improving historic buildings, $432 million in heritage tourism spending, and $25 million in spending by historic sites and organizations. This triggers a wealth of economic benefits. Consider these:

### Jobs

Preservation in New Jersey creates 21,575 jobs each year, 10,140 of them in the state.
An Economic Engine

Historic Preservation's Impact on New Jersey

**Income**

Preservation generates $263 million in income for New Jerseyans and $572 million nationwide.

**Wealth**

Preservation contributes $543 million in gross state product and $929 million in gross domestic product. These quantifiers represent the total value at retail prices of all the goods and services produced by a state’s or nation’s economy during a given period and are the broadest available measure of economic activity.

**Taxes**

Preservation stimulates $298 million in federal, state and local taxes in New Jersey and $415 million in taxes nationwide. New Jersey historic properties contribute $120 million annually in property taxes, an amount that increases when historic rehabilitation enhances property values.

Historic preservation touches the lives of New Jersey residents in a personal way, from tourists indulging in a weekend of antiquing, to business owners making a living in a historic town center,
An Economic Engine

Credit: Chris Pedota, Daily Record

to low-income renters enjoying a safe and comfortable home in a renovated historic building. All these ways of experiencing historic preservation are possible because preservation is profitable. It can plant the seed for lucrative heritage tourism in a small town or jump-start a community’s comeback amid urban decay. Historic preservation means money to New Jersey.

Jobs Created for Every $1 Million Invested
A Comparison of Historic Rehabilitation’s Effects

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Income Created for Every $1 Million Invested
A Comparison of Historic Rehabilitation’s Effects

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Credit: Chris Pedota, Daily Record
As an economic engine, historic preservation is a particularly powerful force driving heritage tourism. When it comes to creating jobs, generating income, stimulating tax revenue and producing wealth, preservation is a star player. And New Jersey is a rich stomping ground for a type of travel that capitalizes on an area’s historic and cultural assets. Monmouth Battlefield, Thomas Edison’s laboratories, Cape May, the Barnegat lighthouse—these and a plethora of other attractions tell the story of New Jersey and a new nation. The tourists who venture to such places tell another story: heritage tourism is a lucrative and expanding force in the economy. Its devotees tend to be full-time professionals who are more free-spending than tourists with different interests. Compared with other tourists, heritage tourists are more affluent, take longer trips (often in family groups), plan them further in advance, spend more money, and return home more satisfied.

Heritage tourism tugs at the traveler’s emotions and intellect. As travel authority
Arthur Frommer put it: “People travel in massive numbers to commune with the past. We all gain solace, pleasure and inspiration from contact with our roots.... Seeing the cultural achievements of the past, enshrined in period buildings, is one of the major motivators for travel.”

For historically diverse New Jersey, this motivation translates into money. Heritage travelers spend $432 million annually in the pursuit of that connection with the past. And they spend more generously than the typical traveler: for example, heritage travelers—who combine a historic site with something else, such as business—spend an average of $252 for an overnight trip, 60 percent more than the $157 spent by the general New Jersey traveler. This same traveler stays longer in New Jersey (4.7 nights) and spends 78 percent more in restaurants than other travelers. Of overnight travelers who spend $1,000 or more on a trip, 18 percent are heritage tourists compared with 8 percent for the general New Jersey traveler. Heritage travelers also spend more on lodging—84 percent compared with 59 percent spent by the general traveler.

Day trippers with historic destinations spend about 20

“Historic preservation was the organizing force for revitalization of Cape May as a Victorian attraction. Tourists here are looking for a special experience—our most expensive rooms are always booked first.”

Elan Zingman-Leith

Innkeeper, Cape May
percent more than travelers with no interest in history. They spend significantly more on meals and shopping.

The $432 million that heritage tourists inject into the New Jersey economy creates jobs, income, taxes and wealth, with about half these economic gains staying in the Garden State.

**Jobs**

Of the 15,530 jobs created from heritage tourism, 7,085 stay in New Jersey, with more
than half serving the restaurant and lodging industries. Of jobs generated elsewhere in the country, the bulk are in retail, services, manufacturing, and finance, insurance and real estate.

**Income**

Slightly more than $383 million in income is created from visits to historic sites, with $168 million staying in New Jersey. Of the overall figure, more than half is in retail and services, particularly lodging, restaurants and bars.

**Taxes**

Federal, state and local governments gain $216 million in tax revenue from heritage tourism. Slightly more than half that money goes to federal coffers, while nearly 36 percent goes to state governments and 13 percent goes to local communities.

**Wealth**

Of the $559 million generated in wealth, $287 million stays in New Jersey. Services and retail account for 45 percent of that overall figure, including a significant amount from the lodging and dining industries.
Historic Tourism’s Untapped Potential

Although its economic contribution is substantial, heritage tourism remains a small fraction—3.7 percent—of all travel spending in New Jersey. Heritage travel’s 9.1 million average annual trips to New Jersey account for only a little more than 5 percent of all state travel. Currently, historic and cultural destinations are weaker draws than casinos and the shore, but the economic potential of heritage tourism is enormous.

Travel is one of the nation’s fastest growing industries, and heritage tourism, one of the top reasons for pleasure travel, has become increasingly important not only to travelers but to the communities that thrive from these visits. New Jersey, already ranked seventh in the nation in terms of travel revenues, is poised to capitalize on its underdeveloped historic assets.

Industry experts expect sites of historic and cultural interest to play an ever more prominent role in travel, both nationally and in New Jersey. This is partly the result of a trend toward increased pleasure travel and shorter trips closer to home, especially weekend getaways. “Baby boomers”—that large chunk of the population now enjoying a growing discretionary income—are also fans of heritage tourism.

By further developing and promoting its heritage tourism attractions, New Jersey can draw more visitors from farther afield than the mid-Atlantic regions, encourage more overnight—and, thus, more lucrative—trips, expand the variety of destinations beyond the popular shore and casinos, and enhance the state’s image as a historically rich vacation spot.
Notable players in New Jersey’s heritage tourism industry are the more than 200 historic sites and organizations. Though most of these operations have no paid staff and a barebones budget, they attract more than 6.4 million visitors annually. They also contribute to the economy by creating 1,438 jobs, generating $33 million in income, producing $13 million in taxes and $43 million in wealth.

Travel is already key to New Jersey’s economy. It is one of the state’s three largest businesses—bigger than construction, agriculture or mining—and it makes possible almost 5 percent of all New Jersey jobs. Heritage tourism is gaining a stronger profile in this significant area of the state’s economy and has the potential to play an important role in improving the stability and strength of the state’s overall tourism industry.
The buzz of a saw cutting lumber for a historic porch, the scraping of mortar as a mason repoints the bricks of a neighborhood church, the slap of wet paint on a downtown storefront—these are the sounds of money flowing into the economy. A major component of historic preservation’s financial impact is the money spent on “bricks and mortar” needed to make a building usable or more attractive. Work done on everything from the private home to the town hall creates jobs and income, contributes to taxes and generates wealth. In fact, each dollar spent on historic rehabilitation injects more into the economy than the same dollar spent on alternative investments such as new housing and commercial construction. Such is the power of preservation.

Rehabilitation work is a substantial component of New Jersey’s construction industry, especially in older cities. Nationally, rehabilitation represents about 20 percent of all construction, but in New Jersey it is twice that. While historic rehabilitation accounts for just 2.6 percent of all construction in New Jersey, it contributes to 6.6 percent ($38
million) in urban areas and 5.1 percent (another $38 million) in mature suburbs. This concentration suggests the vital role that preservation plays in the state’s most densely populated communities. Also, historic rehabilitation occurs most often on non-residential buildings—$83 million, or 67 percent of all historic rehabilitation—indicating its high profile in our public life.

In New Jersey, an estimated $123 million was spent on the rehabilitation of designated historic properties in 1994, the year analyzed by the Rutgers study. This is a conservative amount because it does not include the many more buildings that are eligible for historic designation but not formally recognized. The state’s urban areas and mature suburbs benefit most from this rehabilitation activity, defined as additions, alterations and improvements.

“Historic buildings add value to a central business district by creating the excitement that keeps a downtown alive.”

Tracy Challenger
Executive Director, Red Bank RiverCenter Special Improvement District

Restoration creates thousands of jobs, benefiting everyone from the quarry worker to local merchants.
Each dollar invested in rehabilitation triggers a chain reaction that reverberates throughout the economy, benefiting everyone from the construction worker to the taxpayer. The economic benefit of restoring a rotting wooden porch on a historic house, for example, goes way beyond the direct impacts, such as the carpenter’s paycheck and the lumber store’s cash register. It is also felt by the truck driver who hauled the wood to the lumber store, the coffee shop that served lunch to the carpenter, and the neighbors in surrounding houses, who may enjoy enhanced property values. It also benefits the town, which may collect more in property taxes as the improved house rises in market value, making the tax burden a bit lighter for everyone else.

In this way, the $123 million spent on historic rehabilitation is transformed into $526 million, yielding a healthy payback in the form of jobs, income, taxes and wealth:

**Jobs**

A total of 4,607 jobs are created, slightly more than half of them in New Jersey. Of the New Jersey jobs, three-quarters are in three industries—construction (40 percent of all the New Jersey jobs), manufacturing (19 percent) and services (16 percent). Most jobs generated outside the state are created indirectly in processing or manufacturing, to produce the lumber for the porch restoration, for example. Yet New Jersey retains just over half of all the high-paying manufacturing jobs needed to support historic rehabilitation.

**Income**

Nearly $156 million in income is spawned by historic rehabilitation in New Jersey, with
the average annual income created by such jobs being $33,926. Related workers living in New Jersey average slightly higher annual incomes—$35,011. Two-thirds of that income is paid in the construction, manufacturing and services industries.

Taxes

Federal, state and local government coffers receive a total of $38 million in taxes generated by historic rehabilitation. The federal government benefits the most, taking in 60 percent—$23 million through corporate and personal income taxes, Social Security, and excise taxes. States collect nearly 22 percent ($8 million) through corporate and personal income taxes, and sales, excise and other taxes. Local governments receive 18 percent ($7 million), contributed through property taxes and other taxes.

Wealth

To measure economic well-being, economists calculate gross

Restored Buildings

Rehabilitation of older buildings is a substantial component of New Jersey's construction industry, especially in urban areas.

| Rehabilitation | Mature Suburb: 21.3% $422,427,133 | Urban: 20.4% $403,566,353 | Rural: 23.0% $44,836,684 |
| Developing Suburb: 36.0% $1,108,238,308 |

| New Construction | Mature Suburb: 11.7% $320,146,220 |
| Urban: 5.8% $138,772,985 |
| Rural: 7.1% $193,970,558 |
| Developing Suburb: 75.3% $2,092,104,778 |
domestic product at the state and national levels. Using that yardstick in New Jersey, there is nearly a $208 million benefit from historic rehabilitation activity, with $116 million generated in state and $90 million created outside the state. Construction, manufacturing, and finance, insurance and real estate are the largest sources of this wealth.

Historic preservation more than pays its way. Rehabilitation activity in New Jersey returns more to the nation in income and wealth than it costs to undertake. And slightly more than half the financial gain stays in the state.

Thousands of New Jersey residents enjoy a more livable community because of historic preservation.
The renaissance story unfolds in community after community: a tired, ignored downtown springs back to life when historic buildings are given new life; a rundown neighborhood is reborn as the charming enclave that buyers flock to; a derelict old industrial building becomes spacious, comfortable housing or a new night spot. Look at the successful conversion of Jersey City’s Dixon Pencil Factory into condos and a former cigar factory in Trenton into spacious apartments. Or consider the Cooke Mill in Paterson, which now has a medical center on the second floor and housing on the first. In each case, buildings are preserved and tax rolls are served. All are testimony to the fact that historic buildings make a healthy contribution to the property-tax rolls in New Jersey communities.

- Properties listed on national, state or local historic registers have a market value of $6 billion, of which about $300 million can be attributed to the value-enhancing effect of historic designation.

- The owners of these structures pay approximately
$120 million a year in property taxes, about $6 million of that directly related to the buildings’ official historic status.

- Improvement of these properties through historic rehabilitation boosts property values, increasing the annual property taxes paid on New Jersey’s historic buildings by about $1.5 million.

Heritage tourism and historic rehabilitation clearly contribute to the economy. But the effect that historic designation has on property values—and, therefore, tax revenues—is harder to quantify. Designation bestows recognition and prestige and can spur rejuvenation of the surrounding area, especially in the case of designated districts. In thousands of cases, historic designation translates into higher property values and, therefore, healthier tax rolls.

Yet, it is a matter of dispute whether historic designation of individual buildings and districts consistently enhances property values or can also detract from them. Preservationists, planners and economic development officials commonly argue that designation not only adds prestige to a
property, but also elevates property values because it brings regulation that protects desirable historic character. Others, particularly some property owners, believe that the restrictions that come with regulation hurt property values. Numerous studies have examined the impact of historic designation. Most conclude that designation has either a positive or neutral effect on property values, while a minority find a negative result. No definitive study has proclaimed the final word on the question, and often the answer must be determined case by case.

What is clear, however, is that several factors influence the effect that historic designation has on property values: whether historic property is designated as an individual landmark or as part of a broader district; whether a building is residential or commercial; whether special maintenance is required; the level of regulation by each community; and the limits—legal, economic and political—on development in a community. These five factors can converge to have different outcomes on property values in different situations.
Preservation not only pays its own way but enriches our lives as it saves our past. In particular, public funding of historic preservation has a payback that both reduces taxpayer burden and increases benefits in numerous sectors of the economy.

A showcase for how taxpayers benefit is the New Jersey Historic Trust’s bond program, one of the nation’s premier grant programs for funding bricks-and-mortar preservation projects. Since 1987, when the first of three State bond issues were approved by voters, the Trust has awarded over $52 million in grants for restoring, rehabilitating and improving historic sites. Taxpayers foot the bill for this by funding both the $60 million principal on the bonds and the $38 million in interest, for a total taxpayer debt of $98 million over 20 years. Yet this debt is more than offset by tangible economic benefits. That State bond money for preservation, along with other money raised to match the grants, leverages about $403 million for the preservation of nearly 150 historic structures:
These grants spur rehabilitation projects that generate—in New Jersey alone—6,200 jobs, $222 million in income, $102 million in taxes, and nearly $307 million in state wealth.

They also fuel annual heritage tourism spending in the state to the tune of 375 jobs, nearly $9 million in income, $7.5 million in taxes and $15 million in state wealth.

This enhanced tourism and rehabilitation activity translates into an economic benefit totalling $116 million over that 20 year period: an $83 million state taxpayer credit and a $33 million credit to local taxpayers. Not only is the original $98 million in debt paid off, but preservation puts taxpayers ahead by $18 million.

New Jersey’s citizens already know the educational and esthetic benefits of historic preservation. Now its economic importance has been demonstrated by the Rutgers University study. Preservation is a pump-primer, an economic development tool, a smart investment. It is vital for a host of reasons—ones that speak to history, culture and quality of life. But at a purely dollars-and-cents level, historic preservation offers an excellent rate of return. Preservation makes sense.

“Historic preservation is not just good for the eyes and heart, it is good for the pocketbook.”

(New York Times, 8/3/97)

David Listokin

Center for Urban Policy Research, Rutgers University

Preservation Pays Its Way

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This booklet summarizes the results of *Economic Impacts of Historic Preservation*, a study conducted by the Center for Urban Policy Research at Rutgers University and overseen by the New Jersey Historic Trust (see the back cover for full research credits). This study is available as an electronic file for those interested in the full statistical details. Contact the Trust by email at njht@dep.state.nj.us or visit our web site at www.state.nj.us/dep/njht for more details.

Front cover image: Broad Street, Westfield, 1912. Inset image, this page: Builders at the Lorre Estate in Orange, 1916. Both images appear by permission of the Special Collections and University Archives, Rutgers University Libraries.
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