

CHAPTER TWO

Profile of, and Direct Economic Impacts from, Historic Rehabilitation

INTRODUCTION AND SUMMARY

This chapter first sets the perspective for considering historic rehabilitation by examining overall trends in new construction and all rehabilitation (historic and nonhistoric) for the nation and for New Jersey. It then focuses on describing the profile and magnitude of historic rehabilitation in New Jersey. The analysis is for the year 1994, which, when this study commenced, was the last annual period for which construction information was fully available. The results of the analysis are summarized below:

- Nationally, all rehabilitation amounted to \$44 billion in 1994, or about 20 percent of the total \$211 billion construction activity (\$167 billion in new construction and \$44 billion in rehabilitation) for 1994.
- Statewide there was \$4.7 billion of total construction in New Jersey in 1994. Of that total, \$2.7 billion (58 percent) consisted of new construction and \$2.0 billion (42 percent) comprised rehabilitation.
- There is no specific recording of historic rehabilitation activity per se, so its quantification can only be estimated. In the current instance, the estimate is made by sampling of rehabilitation activity in communities representative of different types of jurisdictions in New Jersey—urban, mature suburbs, developing suburbs, and rural communities.
- Of the total \$2 billion in rehabilitation, about \$123 million, or 6 percent, is estimated to be taking place in historic properties. The \$123 million involves all rehabilitation (not just that related to preservation) effected on properties designated on federal, state, or local historic registers. Not surprisingly, historic rehabilitation as a share of total rehabilitation (and as a share of total construction) is highest in urban and mature suburbs.

NEW JERSEY TOTAL AND HISTORIC REHABILITATION (1994)

Community Type	Total Rehabilitation (\$ in millions)	Total Historic Rehabilitation (\$ in millions)	Historic Rehabilitation as Percent ¹ of All Rehabilitation	Historic Rehabilitation as Percent ¹ of Total Construction (New and All Rehabilitation)
1. Urban	\$404	\$38	9.3%	6.6%
2. Mature Suburb	\$422	\$38	8.4%	5.1%
3. Developing Suburb	\$1,108	\$45	4.0%	1.4%
4. Rural	\$45	\$2	4.9%	0.8%
All Communities	\$1,979	\$123	6.2%	2.6%

1. Percentages calculated on more precise data than that summarized here.

- The \$123 million in New Jersey historic rehabilitation is comprised disproportionately of rehabilitation undertaken on nonresidential properties.

NEW JERSEY REHABILITATION BY PROPERTY TYPE (1994)

Property Type	Historic Rehabilitation (\$ in Millions)	% of Total Historic Rehabilitation
Residential	\$40	33%
Nonresidential	<u>83</u>	<u>67</u>
TOTAL	\$123	100%

- The estimated amount of New Jersey statewide historic rehabilitation—some \$123 million or 6 percent of all rehabilitation—is quite conservative. The magnitude could actually be substantially larger, especially if it included rehabilitation effected not only on officially designated properties (i.e., listed on federal, state, or local registers) but also properties *eligible* for such designation.

PERSPECTIVE ON CONSTRUCTION ACTIVITY IN THE NATION AND IN NEW JERSEY

It is important to first set the overall perspective for construction activity. For simplicity's sake, construction can be segregated into two major components—"new construction" and "rehabilitation," the latter including the Census-defined categories of additions, alterations, and improvements.

Figure 2.1 summarizes the construction emphasis in the United States, the Northeast, and New Jersey from 1980 to the mid-1990s (ending in 1994). While in all areas the cyclical swings experienced by the construction industry are readily apparent (e.g., "boom" in the mid-1980s and a "bust" in the early 1980s and early 1990s), across the years certain patterns hold. For the United States as a whole, new construction dominates. In 1994, for example, the \$211 billion in total construction comprised \$167 billion in new construction (79 percent) and \$44 billion (21 percent) in rehabilitation.

In the Northeast, where the housing stock is older relative to that of the nation, rehabilitation is understandably more important. In 1994, the \$8 billion of rehabilitation in the Northeast comprised 31 percent of the total region's \$27 billion construction of all types (new and rehabilitation).

In New Jersey rehabilitation is even more significant. In fact, in the early 1990s, when new construction in the state plummeted, there was nearly as much rehabilitation in New Jersey as new construction (see Figure 2.1). Although that is no longer the case, rehabilitation remains very important. As of 1994, New Jersey's \$2 billion in rehabilitation comprised 42 percent of the \$4.7 billion of all construction activity (new and rehabilitation)—twice the national rehabilitation incidence (21 percent) and one-third larger than the percentage (31 percent) for the Northeast as a whole.

Total new construction and rehabilitation can be further differentiated into activity by type of property: 1) one- to three-family housing (referred to here as single-family); 2) multifamily housing (i.e., containing 4 or more residential units); and 3) nonresidential structures. In 1994, there was \$2.725 billion of new construction in New Jersey and \$1.979 billion of rehabilitation. Of the \$1.979 billion in rehabilitation, \$0.724 billion was effected in residential structures (\$0.614 billion in single-family and

FIGURE 2.1

\$0.110 billion in multifamily buildings) and \$1.255 billion in nonresidential properties (Exhibit 2.1).

The figures presented above represent all rehabilitation; historic rehabilitation is a subset of that total. First, however, we must define more precisely what is meant by historic rehabilitation.

HISTORIC REHABILITATION IN NEW JERSEY

Definition of Historic Rehabilitation

For the purposes of this study, historic rehabilitation includes all “rehabilitation” that is effected in “historic” properties. “Rehabilitation” is defined as encompassing all construction work that the Census classifies as “alterations.” Not included are minor repairs or structures added to buildings (i.e., the Census categories “repairs” and “additions”). All rehabilitation is included—not just work of a historic nature (e.g., facade restoration)—as long as the rehabilitation is effected in an historic property. Historic, in turn, is defined as a property that is designated as a national, state, or local landmark or is located in a national, state or local historic register district. Rehabilitation in properties eligible for, but not yet designated as historic as defined above, is *not* counted.

This definition of rehabilitation is straightforward (from the Census); however, the specification of “historic” as used in the present study bears further comment. Inclusion of landmarks listed by all levels of government—federal, state, and local—acknowledges that all of these listings are important. Including only entries on the National Register of Historic Places and omitting local landmarks would fail to incorporate the tremendous interest in preservation and the local level and significance of local involvement, as evidenced by the numbers of landmark and historic district designations and related rehabilitation of these resources.

Our specification of historic, however, includes only those properties already officially listed on registers, whether federal, state, or local, and *not* properties eligible for such listing. In the field of preservation, eligibility for designation is in fact a recognized status. At the federal level, a Section 106 review is triggered when federal action threatens properties both on, and eligible for, the National Register. In a similar vein, the New Jersey Historic Trust (NJHT) considers certification for designation (i.e., eligible for, but not yet on, a register) sufficient to qualify a site to be considered for an investment of public monies. (A valid nomination for listing is required for NJHT funding.)

There is a valid reason why eligibility for listing is recognized by historic preservationists, principally that the time gap between eligibility status and official listing should not thwart the ultimate goal of protecting legitimate historic resources. Nonetheless, the authors of this study tally only the rehabilitation effected on already listed as opposed to register-eligible properties because, especially on a statewide basis, there is no data on properties that are eligible for designation. (This information often is not even specified for much more micro-geographical levels, such as a neighborhood or an individual community.) Statewide, there is only conjecture about the scale of properties eligible for landmarking; in fact, there is scant statewide information on properties that are already listed, as is discussed below.

EXHIBIT 2.1

**State of New Jersey: Total New Construction and
Total Rehabilitation¹ By Area and Property Type (1994)**

TOTAL NEW CONSTRUCTION BY PROPERTY TYPE					TOTAL REHABILITATION BY PROPERTY TYPE			
AREA	SINGLE-FAMILY	MULTIFAMILY	NON-RESIDENTIAL	TOTAL \$ AMOUNT NEW CONSTRUCTION	ONE & TWO FAMILY	MULTIFAMILY	NON-RESIDENTIAL	TOTAL \$ AMOUNT REHABILITATION
TOTAL—URBAN	\$30,266,163	\$8,412,408	\$120,094,414	\$158,772,985	\$61,576,231	\$46,329,369	\$295,660,753	\$403,566,353
TOTAL—MATURE SUBURB	\$177,543,702	\$15,887,562	\$126,714,956	\$320,146,220	\$179,655,977	\$28,304,106	\$214,467,050	\$422,427,133
TOTAL—DEVELOPING SUBURB	\$1,389,291,265	\$92,518,790	\$570,294,723	\$2,052,104,778	\$349,232,068	\$35,227,843	\$723,798,397	\$1,108,258,308
TOTAL—RURAL	\$160,451,398	\$1,116,891	\$32,402,269	\$193,970,558	\$23,368,294	\$496,718	\$20,961,672	\$44,826,684
TOTAL ALL AREAS	\$1,757,552,528	\$117,935,651	\$849,506,362	\$2,724,994,541	\$613,832,570	\$110,358,036	\$1,254,887,872	\$1,979,078,478

Note: 1. Includes all construction work that the Census classifies as “alterations” (not included are the Census categories of “repairs” and “additions.”) It should further be clarified that rehabilitation includes alterations effected in both non-historic and historic properties (properties on federal, state, or local historic registers).

Source: New Jersey Department of Community Affairs building permit data.

Scale of Historic Rehabilitation in New Jersey

Were the data available, determining the share of the some \$2 billion of New Jersey's rehabilitation occurring in the historic stock would be accomplished by:

1. Listing by block and lot numbers the properties for all communities in New Jersey where rehabilitation occurred;
2. Identifying, for all communities, the block and lot numbers of historic properties;
3. Cross-indexing the information from steps 1 and 2.

Although the data for step one above are available, there is no information for step two. There is no file of the historic stock in New Jersey by block and lot numbers. In the present analysis, "proxy" data are developed to fill that information gap, via sampling, using the following approach:

1. The 567 communities in New Jersey are categorized into 4 *groups or types of municipalities*: 1) urban, 2) mature suburb, 3) developing suburb, and 4) rural.
2. The *total amount* of rehabilitation in the four groups of communities by property type (e.g., single- and multifamily residential and nonresidential) is identified. The historic incidence of the total rehabilitation—that is, the amount of rehabilitation by property type effected in the historic stock—is then calculated following steps 3-8.
3. *Sample communities* within the four community types are identified—a sample "urban" community, a representative "mature suburb," and so on.
4. The *total amount* of rehabilitation by property type (e.g., single- and multifamily residential and commercial) in the four sample communities is calculated, and the activity is recorded by building block and lot numbers.
5. The *block and lot numbers* of all *historic properties* in the four sample communities are obtained.
6. The information in steps 4 and 5 is cross-indexed to identify the *rehabilitation by property type occurring in the historic stock* in the four sample communities.
7. The amount of rehabilitation in the historic stock (step 6), divided by the total rehabilitation volume in the four respective communities (step 4), yields an *historic rehabilitation percentage* by category of community (urban, mature suburb, developing suburb, and rural) and by property type (single- and multifamily residential and nonresidential).
8. These historic rehabilitation percentages (step 7), applied to the total rehabilitation by property type in the four categories of communities statewide (step 2), yields the dollar value of historic rehabilitation by property type in urban, mature suburban, developing suburban, and rural communities throughout New Jersey. Summing these amounts yields the *estimated total historic rehabilitation* effected in the state.

The calculation of steps 1-8 is detailed in Appendix A and is summarized here.

The breakout of the total rehabilitation by community category is as follows. As of 1994, \$404 million of the total \$1.979 billion in rehabilitation statewide for New Jersey was effected in urban communities; \$422 million in mature suburbs; \$1.108 billion in developing suburbs; and a modest amount (\$45 million) in rural communities. The respective amounts by community category by property type—for single-family and multifamily residential and nonresidential—are further detailed in Exhibit 2.1. That exhibit shows, for instance, that for all the community categories—but especially for the urban group—nonresidential properties dominate the total rehabilitation investment.

Of further note is the significance of rehabilitation vis-à-vis new construction in the urban and mature suburban communities. For the state as a whole, the rehabilitation investment of \$1.979 billion comprises 42.1 percent of the total \$4.704 billion construction activity (\$1.979 billion rehabilitation and \$2.725 new construction). For mature suburbs, the rehabilitation share of total construction is 56.9 percent; for urban areas, it is 71.8 percent. By contrast, the rehabilitation share of total construction drops to 35.1 percent in developing suburbs and to less than 20 percent in rural communities.

The question that must be answered concerns how much of this total rehabilitation is occurring in the historic stock. It is answered by sampling, as explained earlier. To illustrate, Trenton was selected as an example of an urban community. The following series of calculations was applied by the Rutgers University Center for Urban Policy Research (CUPR).

1. Rehabilitation activity was scrutinized at Trenton's block and lot level to ascertain the city's rehabilitation activity by property type. It was found that of the \$48.4 million in rehabilitation that had been effected in Trenton in 1994, \$7.8 million was in single-family (one- to three-family) properties, \$1.2 million in multifamily properties, and the remainder—\$39.4 million—in nonresidential structures.
2. CUPR obtained the block and lot numbers of all the historic properties (i.e., listed on federal, state, or local registers) located in Trenton and then matched these historic parcel block and lot numbers against all the block and lot numbers where rehabilitation had taken place. In Trenton, a total of \$6.8 million of rehabilitation was found to have been effected in historic properties in 1994. Of that \$6.8 million total, \$0.4 million was in historic single-family properties, \$0.1 million in historic multifamily properties, and \$6.3 million in historic nonresidential structures.
3. Having obtained the total rehabilitation dollar activity in Trenton and the portion of total rehabilitation that comprised this city's historic rehabilitation, it was a simple matter to calculate the "derived historic percentage" by dividing the latter data by the former. These figures are shown below (after the comments in item 4).
4. An adjustment is applied, however. Because Trenton is more active with respect to historic designation and historic rehabilitation than sister urban cities in New Jersey, its derived historic rehabilitation percentage would likely overstate the extent of historic rehabilitation activity in New Jersey cities generally. Thus, the derived historic rehabilitation percentages are reduced by

one-third.¹ The “estimated (i.e., adjusted) historic rehabilitation percentage” (and these percentages by building type) is shown below and represent an order-of-magnitude identification for the likely share of all urban rehabilitation by building type that is occurring in historic parcels.

TRENTON TOTAL AND HISTORIC REHABILITATION (1994)

Building Type	Total Rehabilitation (\$ millions)	Historic Rehabilitation (\$ millions)	Calculated Historic Rehab. %¹	Estimated Historic Rehab. %²
1. Single-family residential	\$7.8	\$0.4	5.2%	3.5%
2. Multifamily residential	1.2	0.1	7.6	5.1
3. Nonresidential	<u>39.4</u>	<u>6.3</u>	15.9	10.6
TOTAL 1-3	\$48.4	\$6.8	14.0%	9.3%

¹ Percentages calculated on more precise data than that shown here.

² Equals .67 x the calculated historic rehabilitation percentage.

- As a final step, the estimated historic rehabilitation percentages by property type derived for Trenton—as a mirror of all urban communities—were then applied to the total rehabilitation activity by property type for all urban communities to estimate how much historic rehabilitation is occurring statewide in urban areas. It was previously derived that in 1994 there was \$404 million in total rehabilitation in urban communities of which \$296 million was nonresidential and the remainder residential (single- and multifamily). The estimated nonresidential historic rehabilitation percentage for urban properties (derived from Trenton) is 10.6 percent. Applying this historic percentage to the total urban nonresidential rehabilitation yields an estimate of \$44 million in total urban nonresidential rehabilitation that is historic. Using the same procedure, \$2 million in urban single-family rehabilitation and \$3 million in urban multifamily rehabilitation is estimated as historic (see Appendix A for details.) Summing all property categories results in an estimated \$38 million of rehabilitation in New Jersey being effected in historic properties in 1994 (Exhibit 2.2).

The same procedure was applied for the other categories of communities—mature suburbs, developing suburbs, and rural municipalities. Representative sample communities were selected for each category. Total rehabilitation and historic rehabilitation activity was analyzed at the block/lot and property-type levels to derive

¹ The one-third adjustment is an order of magnitude rather than a precise adjustment. It was derived subsequent to discussions with planners and preservationists knowledgeable about Trenton and the state.

EXHIBIT 2.2

**Estimated New Jersey Historic Rehabilitation¹
By Property Type**

	ESTIMATED HISTORIC REHABILITATION BY PROPERTY TYPE				
AREA	SINGLE-FAMILY	MULTIFAMILY	RESIDENTIAL SUBTOTAL	NONRESIDENTIAL	TOTAL ALL CATEGORIES
TOTAL—URBAN	\$2,296,357	\$2,522,160	\$4,818,517	\$32,686,036	\$37,504,553
TOTAL— MATURE SUBURB	\$25,984,944	\$82,249	\$26,067,193	\$12,149,667	\$38,216,860
TOTAL— DEVELOPING SUBURB	\$7,675,860	0	\$7,675,860	\$37,675,533	\$45,351,393
TOTAL—RURAL	\$1,444,573	0	\$1,444,573	\$83,857	\$1,528,430
TOTAL ALL AREAS	\$37,401,734	\$2,604,409	\$40,006,143	\$82,595,093	\$122,601,236

Source: 1. See text. Equals total rehabilitation by property type (Exhibit 2.1) multiplied by the estimated historic rehabilitation percentages by property type.

estimated historic rehabilitation percentages and other construction measures (i.e., historic rehabilitation as a share of total construction). The results are shown below.

NEW JERSEY HISTORIC REHABILITATION (1994)

Community Type	Estimated Historic Rehabilitation as % of Total Rehabilitation	Historic Rehabilitation as % of Total Construction (New and All Rehabilitation)
Urban	9.3%	6.6%
Mature Suburb	8.4%	5.1%
Developing Suburb	4.0%	1.4%
Rural	4.9%	0.8%
All	6.2%	2.6%

The estimated historic rehabilitation percentages (in actuality, the estimated historic rehabilitation percentages as a share of total rehabilitation by building type, as detailed in Appendix A), are then applied to the total rehabilitation dollar activity in the mature suburbs, developing suburbs, and rural communities to derive their respective historic rehabilitation tallies, with the following results. In 1994, there was an estimated \$38 million in historic preservation in mature suburbs, \$45 million in developing suburbs, and \$2 million in rural communities. Adding these to the previously estimated \$38 million of historic preservation activity in urban communities yields a total estimated statewide level of historic preservation of \$123 million in 1994 (Exhibit 2.2). The breakout by property type is estimated as follows:

Property Type	Estimated 1994 New Jersey Historic Rehabilitation (in \$ millions)
1. Single-family residential	\$37
2. Multifamily residential	3
3. Nonresidential	<u>83</u>
TOTAL 1-3	\$123

The estimated 1994 statewide historic rehabilitation amount—\$123 million—could be higher in other years because the total rehabilitation amount can fluctuate—as it has in the past (see Figure 2.1). Further, the present analysis is based on a sampling procedure, and a limited sample at that. Consequently, the dollar amount of historic preservation produced here is an *estimate*. The estimate, however, is the most empirically available figure and, if anything, is *conservative*—that is, likely at the low end. The estimate includes only rehabilitation effected on already designated properties as opposed to the likely larger group of properties eligible for designation. The analysis applies this conservative approach because there is no information source for properties eligible for designation. It could very well be that the rehabilitation effected on landmark-eligible property is 50 percent more than the rehabilitation volume on designated properties, or as large, if not larger. Thus, data limitations impede the estimation of historic rehabilitation and, accordingly, constrain this estimate by limiting it to rehabilitation of officially designated properties. The \$123 million figure is at the lower order of the likely actual magnitude of historic rehabilitation effected on all historic properties in the state in 1994.