

COMMUNITY, PLACE AND THE ECONOMICS OF HISTORIC PRESERVATION



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DONOVAN D. RYPKEMA

Good afternoon and thank you. My job today is to talk about the economics of historic preservation, and I certainly intend to do that. The statistics about jobs created in New Jersey by historic preservation, the addition to household incomes here, the overall impact on the local economy are both impressive and important and I'll talk about them. But if we are truly going to appreciate the economic significance of all of that, we have to start by taking a step back - by getting a sense of the context within which economic change is taking place, by understanding the real factors that affect our local economies.

And when we begin to think about our economies on a sustainable basis in the midst of a rapidly evolving international marketplace we cannot begin with interest rates, or trade policies, or unemployment levels. Instead we must begin with the two fundamental concepts that will have the biggest impact on the economics of each of our towns and cities - the concept of place and the concept of community. Those are not the same things, but the understanding of both is central to understanding not only the economics of historic preservation, but more broadly the economics of the 21st century.

Let's begin with "place". What is a "place"? Well first it is not a synonym for "location." A location is a point on the globe; an intersection of longitude and latitude. Certainly

every place" has to have a location but I do not believe every location meets the test of being a "place." I start with that contention from reading the titles of some recent works from which I have taken much of what you will hear today. Listen to the names of these books: *The Experience of Place; A Sense of Place; The Great Good Place; The Power of Place; Placeways.*

These are all authors from different disciplines with different perspectives. But there are two very important common denominators: first all of them deal with this something called "place". And secondly, for each of them that place is imbued with something beyond its physical characteristics - something intangible: an experience, a sense, a power, a quality of being good.

Let me return to the definition of "place". It is something more than a location but what is it? Place has been defined as "a location of experience", as "the container of shapes, powers, feelings, and meanings", as "a matrix of energies." The definition I like best comes from landscape artist Allan Gussow who defines place as, "a piece of the whole environment that has been claimed by feelings."

So why this renewed interest in place? Since Plato and Sophocles there has been considerable attention devoted to place. But during this century we have chosen to ignore many of the lessons of the past, and the contributions of Jane

Jacobs, Lewis Mumford, and William Whyte notwithstanding, the vital importance of place seems to be one of the lessons we have largely unlearned.

Psychiatrist Winifred Gallagher has investigated the impact of place on human behavior. She writes, "In a very real sense, the places in our lives ...influence our behavior in ways that we often don't expect." ... [A] good or bad environment promotes good or bad memories, which inspire a good or bad mood, which inclines us toward good or bad behavior." She talks about the effect of place on the level of fantasy in children, the crime rate, attitudes of office and assembly line workers, and urban decay.

Sociologist Ray Oldenburg takes a very different perspective. Oldenburg contends that human beings need what he calls a "third place" - home being the first and work being the second. He is rather specific about the characteristics of these "third places". They are filled with people, they are not exclusively reserved for the "well-dressed crowd", there are abundant places to sit, human scale has been preserved, and "cars haven't defeated the pedestrians in the battle for the streets." Just think for a moment about your favorite neighborhood and see if it doesn't meet those tests - a diversity of people, sitting among buildings of human scale, in an area that isn't dominated by automobiles. My favorite neighbor-

hoods in Washington, New York, Charleston, Boston, Louisville, New Orleans, San Francisco, Seattle, Portland, Denver, Spokane, Richmond, Columbus, Milwaukee all meet those tests and they are all historic neighborhoods. His "third places" include public spaces within neighborhoods. He reaches the same conclusion as does Gallagher about place and personal safety as he observes, "Attachment to the area and the sense of place that it imparts expand with the individuals walking familiarity with it. In such locales, parents and their children range freely. The streets are not only safe, they invite human connection."

Daniel Kemmis is the mayor of Missoula, Montana. Kemmis is frustrated with political gridlock on the local level. But is his solution more government programs, more members of his political party in office, or more news conferences? No. Instead he takes a wonderful step back from the cacophony of politics and grounds himself to the ground around him. He writes: (W)hat 'we' do depends upon who 'we' are (or who we think we are). It depends, in other words, upon how we choose to relate to each other, to the place we inhabit, and to the issues which that inhabiting raises for us.

If in fact there is a connection between the places we inhabit and the political culture which our inhabiting of them produces, then perhaps it makes sense to begin with the place, with a sense of what it is, and then try to imagine a way of being public which would fit the place." Place as the place to begin political discourse.

So there are the observations of psychiatrist, sociologist, and politician. But regardless of each particular perspective all of these people reached the same three conclusions: 1) that place has an immense impact on how we think and act as human beings; 2) the quality of the built environment around us is, overall, getting worse instead of better; and 3) there has been a marked shift away from the interaction between people and their place.

Let's move to another area that has been quietly but very quickly emerging within another wide spectrum of disciplines. Again, like place, this is a rediscovery rather than a new invention. It is the renewed recognition of the importance of a concept called "community."

There is, in fact, a national movement emerging called "Communitarianism." It is led by the sociologist Amitai Etzioni, who is joined by Common Cause founder, John Gardner; advisor to the President, William Galston; Law Professor John Coffee, pollster Daniel Yankelovich and others. The platform of the Communitarians spelled out in Etzioni's book *The Spirit of Community* is multifaceted and much of it not germane to this discussion. But the definition of "community" is indeed useful: "...a place in which people know and care for one another - the kind of place in which people do not merely ask 'How are you?' as a formality but care about the answer."

The stated goal of the communitarians is to "restore communities." As there is an intangible "sense" that makes a place out of a location, so there is an intangible "spirit" that makes a community out of a municipality.

Others are researching, writing, and talking about this concept of community as well. Harvard Law Professor Mary Ann Glendon expresses concern that "communities" are insufficiently recognized by the court system. Theologian John Snow bemoans rootlessness and the lack of communities to support families. Sociologist Robert Bellah and his colleagues contend that reaching *The Good Society* - the title of their most recent book - requires "paying attention" by which they mean paying attention to community. Conservative African-American organizer Robert Woodson, moderate Democrat Congressman David Skaggs, Black columnist William Raspberry all are thinking, writing, talking about community.

But this renewed interest in community isn't limited to writers and theoreticians. Neighborhood activists, downtown associations, inner-city housing organizations, small town development groups are surfacing as major proponents of community in their locales.

The use of this word "community" is certainly not new. In the sixties there was a call to community in the form of the "power to the people" movement. But that so called community was out to save the world; today's community is out to save the neighborhood. That community was naive but also decidedly self righteous; today's community is realistic and unpretentious without being meek.

That community was ideological and decidedly on the left; today's community is political but not particularly partisan and is much more "help ourselves" than "you have to help us". There is nowhere that today's community is growing more rapidly than in African American and Hispanic neighborhoods in our central cities.

So we have this interdisciplinary group of thinkers, observers, and theorists - independent of one another - who are rediscovering the significance of place. At the same time we have another interdisciplinary group of thinkers, observers, and theorists, joined by some local activists - who are proclaiming the critical importance of community.

What almost none of them has recognized is that the two concepts - community and place - are inseparable. "Place" is the vessel within which the "spirit" of community is stored; "Community" is the catalyst that imbues a location with a "sense" of place. The two are not divisible. You cannot have community without place; and a place without community is only a location.

I would further argue that the built environment in general, and perhaps historic preservation in particular is the nexus at which the concept of community and the concept of place intersect.

Let me remind you that not one

of the writers I have cited represents him or herself as an historic preservationist or urban designer. And yet what these writers are observing is at the heart of what quality urban design is all about. Psychiatrist Gallagher quotes her environmental psychologist colleague Ralph Taylor as saying, "If I could do one thing to improve urban life, I'd rehab all the vacant housing." Think of that. The one thing he would do is rehab vacant housing.

Sociologist Oldenburg says, "Third places are most likely to be old structures. They are frequently located along the older streets of American cities, in the neighborhoods or quarters not yet invaded by urban renew[al]."

Sociologist Bellah observes, "Communities, in the sense in which we are using the term, have a history-in an important sense they are constituted by their past and for this reason we can speak of a real community as a "community of memory" one that does not forget its past.

Not long ago on the internet I found an AP story quoting the president of the Center of the New West, a Denver think tank. Phil Burgess said, "The more lofts, condos, apartments - the more people we get living in downtown Denver the better off it is for restoring the social fabric of the community." Note that he didn't say restoring tax revenues or property values or the job base - although all of that is true. He said, "restoring the social fabric of the community." And if you've been in Denver the last few years you know that the new housing is in old buildings. Restoring historic buildings in downtown is restoring the social fabric of the community.

The conservative social critic, Christopher Lasch, wrote, "It is the decline of those communities, more than anything else, that calls the future of democracy into question. Suburban shopping malls are no substitute for neighborhoods."

None of them overt preservation-

ists, but in their searching for meaning in place and community they have found - what preservationists have found, that our historic built environment is central to both community and place.

Once understood in this context many things begin to make sense. A deeply felt anger when a neighborhood landmark is razed isn't because of the building - it was only stone and wood after all. It was because a piece of the community was taken away. It also tells us why preservation is an overwhelmingly local endeavor, why the loss of a building in your town isn't, frankly, too important to me, nor my neighborhood loss to you. Those aren't our communities. It explains why strong neighborhood groups are much more often found in older neighborhoods than new - the sense of place' and the spirit of community have had time to reenforce each other.

Now all of these writers had their own slant on why the sense of place or the spirit of community was important for public safety, political participation, cultural development, aesthetic richness, neighborliness, legal balance, mental health, conflict resolution. Those are all important outcomes and I am sure place and community affect them. But I don't know anything about those things. What I know a little about is economic development so I would like to spend a few minutes talking about why sense of place and the spirit of community are crucial for successful economic development well into the next century.

Let me begin with two simple facts of economic life: first, a community cannot continue to survive without economic health; and second, economic health cannot be maintained without economic growth. While towns and cities and nations can stand the periodic ups and downs of business cycles, failure over the longer term to have economic growth will inevitably lead to economic decline.

Economic decline is fewer jobs and lower pay for the jobs that do

exist. Without jobs people either move away or become permanent dependents of the state. Departure and dependency have the same end result - loss of community however you define it.

We are beginning to learn that it is possible to have economic growth without necessarily having population growth. Better education, higher productivity, innovation, import substitution are all ways of having economic growth without necessarily having population growth. So we don't necessarily have to have more people, but we do have to have economic growth.

We are in the midst of a major shift in how the economy functions. There are four inter-related elements that make up this shift: first, globalization; second, localization; third, quality of life as the critical factor in economic growth; and fourth, location dependency being replaced by innovation and place dependency.

First globalization. For all the discussion we hear globalization has only just begun. The whole concept of a "national economy" is becoming obsolete. We are in a global economy, a global market, place, and in coming years it will only be more so. Those that choose to opt out for the sake of parochial interests, provincial ideology or protectionist isolationism will simply be left out, doomed to economic decline, and their citizens will be the losers. "Think Globally, Act Locally" was the slogan of antinuclear activists in the 1970's and of environmentalists in the 1980's. In this decade and beyond it will necessarily be an economic development strategy.

But the exciting part of globalization isn't the "think globally" part - it is the "act locally" part. Largely ignored in the current trade policy debate is the vital role individual towns, cities, even neighborhoods have in the globalization process. But Michael Porter in his book *The Competitive Advantage of Nations* says, "The process of creating skills and the important influences on the

role of improvement and innovation are intensely local. Paradoxically, open global competition makes the home base more, not less important.”

Akio Marito, founder of Sony, calls this phenomena “global localization”. Business guru Peter Drucker ties this global localization to community. In *Post Capitalist Society* Drucker writes that tomorrow's educated person “must become a 'citizen of the world'-in vision, horizon, information. But he or she will also have to draw nourishment from their local roots and, in turn, enrich and nourish their own local culture.”

Well, globalization is the first of the major shifts affecting economic development and localization the second. The third is the importance of quality of life as the most significant variable in economic development decisions. What constitutes “quality of life”. Well, a variety of lists have been made. But every item on every list I have read can be divided into one of two categories: the physical and the human. Do you think that it's only coincidence that the physical might be redefined as “place” and the human redefined as “community”? Quality of life is the amalgam of those things that make a place out of a location and a community out of a bunch of houses. That's why the debate cannot be allowed to be framed as economic development or quality urban design.

Today, for lots of reasons, economic growth will only take place on a sustainable basis where there is a high quality of life; and securing quality of life is at the heart of what preservation and is all about.

Quality of life is sometimes painted as the “soft” side of economic development whereas infrastructure, tax rates, and utility costs are the “real” factors. Well last year the New York Times reported that institutional investors in municipal bonds are increasingly looking at the local quality of life to determine if they want to buy the bonds or not. And it's not because those

investors are going to be moving to Duluth or Mankato or St. Paul. It's because without quality of life reinvestment won't take place. No reinvestment means no economic growth. No economic growth means economic decline. Economic decline means fewer taxpayers and fewer taxes.

Fewer taxes means the bonds can't be paid off. It really is a case of, “for lack of a nail the war was lost.” We will return to this quality of life issue shortly.

The last of the major changes in the economic development field is the shift from cities being location dependent to cities being place dependent. Think about how nearly all cities began - they were founded and grew because of their dependence on a fixed location. They were located on a seaport, or near raw materials, at transportation crossroads, or close to a water source, or at a point that was appropriate as a military defensive outpost. They were location dependent cities.

Tomorrow's cities - at least in North America, Japan, and Europe - will be innovation and place dependent cities. Please note that I said place dependent, not location dependent.

Our product tomorrow will be knowledge and information. Information is an inventory that takes almost no storage space, can be created anywhere, can be transported instantly and cheaply, and can be adapted, expanded, and modified at will.

We will no longer be able to make excuses that, “copper prices are down”, or “they moved the interstate highway interchange” or “a new harbor opened up down the coast.” Cities will either innovate and build on the strengths of their place or they will decline.

The most far reaching book about tomorrow's economic development strategy was released late last year. *Marketing Places* was written by three professors at Northwestern University who call their strategy “place development”.

In part they write, “A place's potential depends not so much on a place's location, climate, and natural resources as it does on its human will, skill, energy, values, and organization.” And they add, “In this last decade of the twentieth century, a dominant factor in any community's life is the emergence of a global economy and its consequences for the local economy and the quality of life.”

There is one more economic consequence of these four economic trends that affects our towns and cities. It is the matter of community differentiation.

In Italo Calvino's *Invisible Cities* Marco Polo is describing to Kublai Khan the various cities of the Khan's vast empire. In depicting the city of Trude, here is what he tells the Khan.

“If on arriving at Trude I had not read the city's name written in big letters, I would have thought I was landing at the same airport from which I had taken off.

The suburbs they drove me through were no different from the others, with the same little greenish and yellowish houses. Following the same signs we swung around the same flower beds in the same squares. The downtown streets displayed goods, packages, signs that had not changed at all. This was the first time I had come to Trude, but I already knew the hotel where I happened to be lodged; I had already heard and spoken my dialogues with the buyers and sellers of hardware; I had ended other days identically, looking through the same goblets at the same swaying navels.

Why do me to Trude? I asked myself And I already wanted to leave. “You can resume your flight whenever you like,” they said to me, “but you will arrive at another Trude, absolutely the same, detail by detail. The world is covered by a sole Trude which does not begin and does not end. Only the name of the airport changes.”

In economics it is the differentiated product that commands a monetary premium. If in the long run we want to attract capital, to attract investment to our cities, we must differentiate them from anywhere

else. It is our built environment that expresses, perhaps better than anything else, our diversity, our identity, our individuality, or differentiation.

Missoula mayor Kemmis reinforces this. He says "Any serious move. Any local economic development organization goes hand in hand with an effort to identify and describe the characteristics of that locality which set it apart and give it a distinct identity." The major reason preservationists struggle to maintain their city's historic resources is to maintain the city's distinct identity.

But that struggle has economic consequences as well. A year and a half ago I completed a book published by the National Trust entitled, *The Economics of Historic Preservation*. In the first paragraph of one quote Greg Paxton the executive director of the Georgia Trust for Historic Preservation. Greg wrote, "The economic benefits of historic preservation are enormous. The knowledge of the economic benefits of preservation is minuscule." I began the book with that citation because I thought Greg was right on both counts. He is still right on the first point - the economic - benefits are enormous. But across the country the understanding of these benefits is growing daily. In the last 18 months economic analyses of historic preservation have been either completed or are underway in Indiana, New York, Phoenix, Kentucky, Virginia, New Jersey, South Carolina, Maryland, and elsewhere. Why, when in the past there was such a paucity of research, is so much emerging now? I think there are three reasons: first, the preservation movement continues to broaden, and is no longer dominated by those who consider the discussion of historic preservation and money in the same breath crass and inappropriate; second, we are currently in a political environment at all levels of government wherein public policy of all types has to be defended in the vocabulary of economics; but third and most importantly, as we learn from the ongoing research

we are consistently discovering that we don't need to be nervous about the outcome. Study after study shows that far from being a luxury which can be dispensed with in difficult fiscal times, far from being a hamper on economic growth, far from being cute buildings and house museums, historic preservation has an enormous positive impact on local economies and can be at the core of a long range economic development strategy.

Stop a moment and consider why state and local governments have economic development programs at all: to increase the tax base, to increase loan demand and deposits in local financial institutions, to enhance property values, to generate additional sales of goods and services, and - most importantly - to create jobs. What does historic preservation do for a local economy? Increases the tax base, increases loan demand, enhances property values, generates sales of goods and services, and - most importantly - creates jobs.

I'm going to offer you some data on the numerical impact of preservation in New Jersey. Because we are using different econometric models, the numbers will vary slightly from those being generated by the Center for Urban Policy Research at Rutgers, but they are certainly -consistent. In New Jersey \$1,000,000 spent rehabilitating an older building creates 29.4 jobs - 13 in the construction industry and 19 elsewhere in the economy. That is, by the way, more jobs than the same amount spent in new construction. Because of this greater impact on the local economy, every time a decision is being made on a new school, a new city hall, a new court house, historic preservation needs to be considered among the alternatives. Local officials who don't consider the preservation option cannot claim to be doing all they can to support local economic development.

But it isn't just in comparison to new construction that preservation is a favorable job creator. In New Jersey a million dollars of historic

preservation creates 5 more jobs than manufacturing a million dollars of electronic equipment, 19 more jobs than does fabricating a million dollars of metals, and 18 more jobs than refining a million dollars of chemicals. Historic preservation means jobs for New Jersey.

Numbers of jobs, however, is but one way to measure local economic impact. Another is the output generated throughout the economy through the activity within a particular sector. Here again preservation stands up well. In New Jersey \$1,000,000 spent rehabilitating an historic building ultimately adds over \$2.3 million dollars to the state's economy. This is a larger overall impact than \$1,000,000 of hotel rooms rents, a million dollars of retail sales, or \$1,000,000 of communications output. Historic preservation means benefiting the entire New Jersey economy.

The other most common way of measuring the economic importance of an individual sector of the economy is to determine how much household incomes increase as a result of production, within the sector. Here again historic preservation is among the most potent.

\$1,000,000 spent rehabilitating an historic building adds \$832,000 to household incomes of New Jersey residents. This is not only \$73,000 more than the same amount of new construction but also \$190,000 more than \$ 1,000,000 worth of restaurant sales, \$90,000 more than a million in wholesale trade and \$420,000 more than \$1,000,000 of food processing. Historic preservation adds to the household incomes of New Jersey citizens.

In state after state when analyses have been conducted one of the major benefiting industries benefiting from preservation was tourism - probably no surprise to anyone in this room. Last fall the Preservation Alliance of Virginia released a report on preservation's impact on Virginia's economy. Here's what we teamed regarding tourism preservation visitors stay longer, visit twice as many places, and spend two and

a half times as much money as do non-preservation visitors. As in Virginia, historic preservation brings tourist dollars into New Jersey's economy.

Let's talk about neighborhoods for a moment. By far the largest percentage of historic properties in America is made up of houses in historic neighborhoods. There is sometimes a concern that creating local historic districts to protect those neighborhoods will have an adverse effect of property values. The one type of evaluation of the economic effect of preservation that has been most frequently conducted is that one, what effect does historic districting have on property values. There is some variety in the outcomes - some studies show rates of appreciation in historic districts much greater than the market as a whole; some show historic districts are an important catalyst to new investment in the neighborhood; some that the existence of an historic district protects the neighborhood from wide volatile swings in the real estate market. But not one study I have read - and I think I've read almost every one that's been done - not one shows that historic districts reduce property values, not one! In the Virginia study we looked at the five historic districts in the small town of Staunton.

In every case the rate of property appreciation - among both residential and commercial property - was greater than the city of Staunton overall. One of the criticisms that preservation sometimes receives is that historic districts may benefit property values in rich neighborhoods but - are only a burden in moderate income neighborhoods. In Staunton, four of the five historic districts contained residential property.

In two of them the average house value was greater than the citywide average value. In the other two, however, the average value was in fact below the typical price throughout the community.

What this means is that even though two of the four historic

neighborhoods contained housing termed "affordable" and occupied by families of very modest means, still those property owners benefited by increased values at a rate greater than people - rich or poor - living in non-historic neighborhoods. Historic preservation benefits people of modest means.

But let's look for a moment at the other side of the coin - neighborhoods where property values are falling. A couple of years ago the National Association of Home Builders analyzed which factors played the biggest role in changing property values. And you know what had the greatest adverse effect on value? Empty and abandoned houses in a neighborhood. And where, in our towns and cities of every size, do those vacant and abandoned houses exist? In our older and historic neighborhoods. This is more than just local governments losing tax revenues. For the vast majority of us our home is our biggest financial asset. When we allow older neighborhoods to deteriorate we are literally stealing the savings of our citizens. And in too many communities city government is consciously allowing that felony to take place.

Meaningful public intervention in close in neighborhoods is dismissed by saying, "they're just a bunch of old houses that are about to fall down anyway" or we allow demolition for parking, or intrusions of commercial uses, or fail to enforce property maintenance ordinances, or concentrate public housing there, or cut back on municipal services, or let the schools fall apart, and guess what happens? Properties first go into tax delinquency, then suffer deferred maintenance, mortgage foreclosure, abandonment, vandalism, and finally demolition - by neglect, or arson, or misguided public policy. And importantly the loss isn't just to the property owner and the mortgage holder - the entire neighborhood suffers an economic loss.

And then, in addition to this malign neglect of close-in older neighborhoods, the city at the same

time is encouraging, usually subsidizing with scarce taxpayers' dollars, the continuing expansion at the edges. Any competent industrial developer today understands that the top priority is retaining the industries you already have, followed by encouraging the expansion of existing firms, and only then focusing on trying to attract new companies. Absolutely the same priorities ought to apply to neighborhoods - first maintain the ones we have, then encourage the reinvestment in and expansion of existing neighborhoods, only then spending scarce resources on building new subdivisions.

Today everyone claims to be for fiscal responsibility, and I happen to share that philosophical position. But the Urban Land Institute - hardly the foe of development - has reported that the life time public costs of servicing dispersed development is between 30 and 300 percent more than meeting the needs of more compact development. Any public official who allows the continued deterioration of older neighborhoods while at the same time providing the public infrastructure for suburban sprawl simply cannot claim to be fiscally responsible. There is no more flagrant waste of local taxpayers dollars than this combination of neglected neighborhoods and subsidized sprawl. Anyone who tells you differently is a liar or a fool.

What mayor of a community of any size doesn't struggle with how to get middle-class taxpayers to move back to the city? But think for a minute where there have been pockets of back to the city migration - Columbus, St. Paul, Chicago, Louisville, Boston, New York, Des Moines, Seattle, Oakland, Kansas City, St. Louis. It has not been back to the city in general - in fact many of those cities are still losing population overall. In every instance it has been back to historic neighborhoods within the city. City governments that allow their historic neighborhoods to disappear through demolition, neglect, commercial encroachment or abandonment pre-

clude themselves from being beneficiaries of a future back to the city movement.

But the bulk of my work isn't in residential neighborhoods, it is in downtowns and urban commercial districts. I have a hard time separating downtown revitalization and historic preservation. And here's the reason. I visit about a hundred downtowns a year.

I have never been in one that had a successful record of economic revitalization where historic preservation wasn't a key element of the strategy. That doesn't mean such a place doesn't exist - successful downtown revitalization without historic preservation - but I haven't been there, I haven't heard of it, I haven't read of it. And of course leading that process is the National Trust's National Main Street Center and New Jersey's Main Street program. I defy anyone to find an approach to economic development of any kind - downtown revitalization or other - that makes a more frugal use of public resources with a larger impact on the local economy. In an environment where some states are paying \$150,000, \$200,000, even \$250,000 of public incentives per job to attract some new industry, the cost effective, fiscally responsible economic development approach of Main Street provides sharp contrast indeed. The cost/benefit of Main Street is without parallel.

And we are in a time when all kinds of public policies are subject to economic cost/benefit analysis. I for one think that's a perfectly appropriate measurement by which public issues be considered. As most of you know the Historic Rehabilitation Tax Credit -although only a shadow of what it was a decade ago - has been a major component of not only historic preservation, but downtown revitalization, neighborhood stabilization, affordable housing, and economic development throughout the country.

But maybe it's time we looked at the cost/benefit of the tax credit. In Fiscal Year 1995 the Department of

the Interior reports that there were 529 projects representing investment of \$467,000,000. What is the cost of that program to the Federal coffers? Well with a 20 percent tax credit, the revenue loss to the treasury is a maximum of \$93,400,000. But what is the economic benefit? Income taxes paid by construction workers of almost \$51 million; income taxes from other workers of over \$39 million; business income taxes of nearly \$15 million; capital gains taxes of over \$19 million; totaling Federal economic benefits from this program of \$124,250,000 last year significantly more than the revenue cost.

Additionally this activity created 14,000 jobs, added \$348 million to local household incomes, and will generate each year local property tax revenues of between \$7 and \$11 million dollars. Independent of the social, cultural, and aesthetic benefit historic preservation provides, the U.S. taxpayers are absolutely getting more than their money's worth with this program. And I thought that's what reinventing government was all about.

But I'm afraid that sometimes when we are talking about hundreds of millions of dollars and tens of thousands of jobs we miss the point. I want to tell you a short story on an entirely different scale. For the last three years I have been privileged to work with the National Trust on a demonstration program in three urban commercial districts. One of these pilot projects was an inner city Detroit neighborhood. There with some guidance by a great local development corporation, a little technical assistance, and a loan guarantee from the National Trust, Omar Hernandez bought an 1890 three story commercial building that was once the Odd Fellows Hall. This was hardly a giant project - maybe Omar spent a total of \$120,000 acquiring and rehabilitating the building. But for five months now Omar's Mexicantown Bakery has been open for business. Omar today has customers from all over the metropolitan Detroit area and he is making way more money

in the bakery than his most optimistic projections indicated. That's economic development. He now employs 9 people in addition to the three family members who work there. And that's economic development. Nearly every day Omar gets a call from someone asking if there's space in the building available for rent, and -offering \$8 to \$12 per square-foot - this in a neighborhood where before Omar opened up the highest rents were perhaps \$4 or \$5 dollars a foot. And that is economic development. Omar and his family are hard workers - the bakery is open until 8 o'clock five nights a week and until 9 o'clock on Friday and Saturday - a seven day a week operation.

But Omar doesn't complain about the long hours and he's a great small businessman and is very happy about the deposits he's making in the bank every day. But you know what he's most thrilled about? Over Christmas lots of young people came back to the neighborhood - as they do in every neighborhood - kids in their late teens and early twenties. And they all stopped in at the Mexicantown Bakery. And they told Omar and Cecilia how proud they were of their neighborhood and of the Hernandez' for reinvesting there. That small investment told them someone cared about their neighborhood. And that too is economic development - a point I want to return to in just a moment. But Omar's investment in Detroit is representative of another reality of today's economic development and that is the scale of the enterprises that are creating nearly all of the net new jobs in this country. Jobs are being created by firms employing less than 20 people. Not IBM, AU, GM or the rest of the Fortune 500 alphabet. Every day we hear of the tens of thousands being laid off by those firms. Now what does all of this have to do with historic preservation? I call it the myth of the 20,000 square foot floor plate. You know that office tower developer and his leasing agent with their leased Mercedes, rented Armani's and cubic zirconium pinkie rings?

Weekly they are at city hall saying, "We have to raze these old buildings because the tenant today needs a 20,000 square foot floor plate, older buildings can't accommodate them, if we're going to grow it has to be with big buildings." Some would call that an out and out lie - I would rather think of it as factually challenged. Of the 20 fastest growing industries in the country, do you know the average firm size? Eleven people. Now how much space do those people need.

Well it will vary a little but 200 to 250 square feet per person would be typical - or around 2500 square feet. What is the size of the typical older building on your Main Street? 25 by 100 or 2500 square feet. And regardless of floor configuration, virtually all older office buildings can provide readily useable space ranging from 500 to 5000 square feet. We ought to be thinking about our historic commercial buildings - particularly in our downtowns of every size - as our industrial parks for growth industries.

You know as preservationists we often celebrate the Secretary of the Interior certified high quality restorations of landmark buildings - and that pride is certainly warranted. But there is another aspect of preservation that too often we overlook. Older commercial buildings - even if they haven't been rehabilitated - serve a crucial role in meeting the challenges of today's economic development. A start up business has very few costs that it can control - utility costs, taxes, wholesale purchases, equipment, insurance premiums - these are all costs that are largely fixed. One of the few budget items over which decisions can be made is occupancy costs - rent. Older commercial properties provide the locational affordability critical for the survival of small and start-up businesses.

These older structures serve as incubators in which new businesses can grow. The real estate fact of life is this barring massive public subsidies, cheap space cannot be provided in new buildings - it can't be done. We need to maintain a sizable

inventory of older structures if for no other reason than that the source of economic growth in this country - small businesses - need a place they can afford.

Well, I think there are probably a dozen more ways that historic preservation contributes to the economy. But I want to conclude by returning to some observations of what's going to be important in economic development in the coming years. By early in the next century, the workforce is going to be divided roughly in thirds. A third of us will be able to live absolutely anywhere we choose. This group will include consultants like me, but also the actuary for the insurance company, the stock broker, the software engineer, the import-export dealer, and hundreds of other job categories. These people will be able to live anywhere there is a telephone and electricity. Another third of us will have to live someplace, but that someplace can be anyplace. The police officer, the clergy, the dentist, the school teacher, the garbage collector. While these jobs will have to be attached to a location, since every location needs them, the choice of which location in which to work will be nearly limitless.

Therefore two-thirds of the entire workforce will be locationally independent - can choose virtually anyplace in which to live. No longer will most of us need to care where the port is, or the factory, or the mine. We will live not where our job mandates, but where we choose. And that choice will be made not on how cheap the utility rates, how close to major markets, or how near the Interstate. It comes back to what we talked about earlier, quality of life. We will each have a different set of variables that constitute our own quality of life criteria. I live in the middle of Washington, DC, although, in fact, I could live anywhere. And it is because Washington provides a very high quality of life for the things important to me. I understand that many of you wouldn't want to live there - your set of criteria are different than mine, and that is as it should be.

But underlying any sustainable quality of life has to be a sense of community, a sense of belonging, a sense of ownership, a sense of evolution. That's why few of us would choose for our permanent home Club Med or Disneyland. Fine places to visit, of course, but no sense of ownership or evolution, or belonging - in short no sense of community.

For those industrial development types still wearing their Nehru jackets and thinking the only route to economic growth is recruiting one more manufacturer these quality of life, sense of community factors will be dismissed as imaginings of some aesthetic elite. They are very wrong. Companies who are attracted to communities because they were given a free lot in the industrial park, or to save 20 mills on their property taxes, - or because -they can hire workers at 50 cents an hour cheaper will pick up and leave when the town down the road, or the country across the Caribbean cuts taxes another nickel or gives them both the land and the building, or has even cheaper workers. Sustainable economic growth will come from companies who choose your community because of the quality of life it provides. But quality of life is fragile - those things that make up a given community's quality of life need to be identified, enhanced, and protected. And that's where historic preservation comes in. Historic buildings are an important element in most communities "quality of life" criteria because it is those "buildings" that provide a sense of belonging, a sense of ownership, a sense of evolution - that sense of community that sustainable economic growth requires.

That is also why the biggest threat to tomorrow's sustainable economic growth is not high taxes, lack of capital, or shortage of entrepreneurial capacity. Rather the biggest threat is the so called "property rights" movement. In forum after forum, point by point, we cannot allow their hogwash to go unanswered.

Think about it. If quality of life is

the significant variable for economic development, and if the physical environment is a major element of the quality of life criteria, then there is no greater threat to sustainable economic growth than the elimination of those community based enactments whose sole purpose is the protection of that physical environment whether it is built or natural. In the name of real estate rights these myopic fast buck artists are the one's dooming the economic future of our communities - not the preservationists, environmentalists, urban design advocates and their allies. Yet the property rights advocates are getting away with claiming the opposite. I'm all for property rights, but where is the discussion of property responsibilities? That's where we need to move the focus.

I want to conclude with three quotations which, I think, effectively convey the impact on the economy of historic preservation, the importance of sense of place, and the significance of the spirit of community. First I'll return to the eco-

economic development book, *Marketing Places*. The authors write, "Current approaches emphasize ways to resurrect the older character and history of places.

Such thinking also requires vision, blending old with new, and an appreciation that place character is a valuable asset in retaining firms and people as well as in attracting new investment and businesses places lose much when they neglect or destroy their historical landmarks. City officials, erroneously thinking that the cost of maintaining these places exceeds their value, may bulldoze mansions and historical structures to make room for faceless new buildings."

Then the widely admired American author Eudora Welty. In her collection of essays entitled *The Eye of the Story* she writes, "it is our describable outside that defines us, willy-nilly, to others, that may save us, or destroy us, in the world; it may be our shield against chaos, our mask against exposure; but whatever

it is, the move we make in the place we live has to signify our intent and meaning."

And finally back nearly 150 years. John Ruskin was referring to buildings but I think what he said applies to our entire communities as well. He wrote, "When we build let us think that we build forever. Let it not be for present delight, nor for present use alone; let it be such work as our descendants will thank us for, and let us think, as we lay stone on stone, that a time is to come when those stones will be held sacred because our hands have touched them, and that men will say as they took upon the labor and wrought substance of them, See! This our fathers did for us." What you are doing for historic preservation in New Jersey today, your descendants will thank you for.

And I thank you for allowing me to be here with you today. Thank you very much.