

Appendix

Built Heritage Management In Wellington City:

**Financial And Other Means To
Appropriately Manage Built Heritage**

November 2007

Report prepared by



Table of contents:

Table of contents	2
1.0 Purpose of report	3
2.0 Addressing Heritage Issues In New Zealand	3
3.0 Pressures on heritage assets	4
4.0 The Case For Heritage Investment	7
4.1 Theoretical Context For Evaluating Heritage Values	7
4.2 Quantifiable Information On The Value Of Heritage Within Wellington	7
4.2.1 Value Of Heritage Within Wellington Related To Tourism	8
5.0 Heritage Management And Support	12
5.1 Heritage Support Scheme Comparisons	12
Table 1: Australian Public Sector Heritage Support Schemes	12
5.2 Previous Evaluations Of Options For Wellington City	13
6.0 Rates Based Tools Available For Heritage Management And Support	15
Table 2: Rates Based Tools	15
6.1 What heritage management tools might work?	19
Table 3: Evaluation of Rates Based Tools	19
7.0 Option Evaluation	25
8.0 Built Heritage & Residential Areas	26
9.0 Resource Management Act	26
10.0 Building Act	27
11.0 Conclusions	27
12.0 Recommendations	27
Appendix One: Wellington City Built Heritage Policy 2005	29
Appendix Two: Concepts of Value In Relation To Built Heritage	31
Appendix Three: Benefits & Costs Of Historic Heritage Protection	33
Appendix Four: New Zealand Tourism And Heritage Information	40
Bibliography	41
Dominion Post - Editorial	46

1.0 Purpose of report

This report looks at options for strengthening built heritage management undertaken by Wellington City. Recommendations are presented for consideration as part of the 2008 / 2009 Annual Plan process.

The genesis of this report arises from several inter-related issues.

Submissions to District Plan Change 48 requested that Wellington City Council consider introducing financial mechanisms in relation to Heritage Management.

Submitters raised the need for an appropriate balance between 'public good' objectives of heritage listing and / or area zoning, against the private burden this may entail. This is in terms of additional consent process and limitations on redevelopment potential. The thrust of these submissions is while the 'public good' reasons for strengthening heritage are generally accepted, there are currently unmitigated impacts on private owners of having a listed heritage building or a building that require a response from council.

As the 8 proposed 'Heritage Areas' in the District Plan extend the scope and impact of heritage management, the current heritage grants and earthquake strengthening programs are viewed by submitters as inadequate.

Pressures are also increased as a consequence of changes to the Building Act which mean a significant number of heritage buildings as potentially needing significant investment to bring them up to a suitable standard. This has resulted in an increase in building owners seeking to demolish their properties (8 applications for 2007 to Historic Places Trust, compared with 1 in 2006, and a rise in enquiries and applications to Wellington City Council for non-listed buildings).

Another factor is that increasing property values are resulting in parts of Wellington City that have lain relatively dormant now coming under development pressure.

This report seeks to outline mechanisms for acknowledging the 'public good' driven impacts on property owners of Heritage listing or being located within a proposed Heritage area. The brief covers both residential and non-residential zones.

2.0 Addressing Heritage Issues In New Zealand

The Ministry of Culture and Heritage has set the goal of ensuring New Zealanders have widespread access to quality culture and heritage experiences, and that culture and heritage contribute to our social, economic, cultural and environmental wellbeing.

In line with the Local Government Act 2002, and the Resource Management Act 1991 (RMA), councils have a role of protecting and interpreting our past to achieve community outcomes.

Protection of heritage was included as a matter of national importance that Council's must provide for under the RMA amendments in 2002.

Wellington City has a breadth of heritage that helps to define the identity of the City as a gateway to the region, as well as providing residents and communities with a distinct sense of place.

Heritage therefore makes a particular contribution to several of the Wellington City Community Outcomes under the adopted LTCCP. Those relevant are:

- *Wellington will become more liveable*
- *Wellington will develop a stronger sense of place*
- *Wellington will become more sustainable*
- *Wellington will become more prosperous*
- *Wellington will become more competitive*

The Council has recognised the importance of 'sense of place' as it impacts decisions to live, work and invest in Wellington City. Built heritage is an important contributor to this.

Heritage items are finite resources that impact on our quality of life and add to the appeal of the City as a place of residence, for business location and for visitors, thereby contributing to Wellington City's ongoing prosperity.

Managing heritage is acknowledged in the LTCCP (including grant support), and Council's adopted Heritage Policy (2005) (see Appendix 1 for key elements). Built heritage is recognised as a fundamental part of the continued sustainable management of Wellington's natural, physical and economic resources.

Heritage for the purposes of this report primarily focuses on 'built heritage'¹.

3.0 Pressures on heritage assets

There are 565 heritage buildings, objects and areas identified in the Wellington City District Plan.

In addition there are many places, particularly both residential and commercial areas in the suburbs, as well as post-World War II commercial buildings and those associated with the city's various ethnic communities that are not identified as heritage buildings in the District Plan, and therefore lack any protection.

¹ Heritage more generally is defined as buildings and structures, places, objects, precincts, areas, and trees which have strong links with our past, as well as archaeological sites and waahi tapu. "Heritage" also includes the relevant events and stories associated with each of the foregoing.

At the same time, officer advice is that the rules in the District Plan do not always provide a sufficient level of protection to match some community expectations.

The Council has an adopted position that protecting the city's built heritage is not about locking it up. The continued use of a heritage building is seen as essential to its survival but it should not be at the loss of important heritage fabric.

The challenge is to protect the most valued heritage places in an evolving environment while meeting the needs of a rapidly changing community.

Evaluation work from Australia highlights the importance of financial incentives to accompany any regulation to ensure a 'cost-benefit swing' in favour of the conservation of a heritage building².

Similar conclusions emerge from work from the United Kingdom where studies in that context the solution to improving listed buildings condition lay with provision of improved incentives³.

Heritage buildings may come under pressure for relocation or demolition because they come to the end of their economic or physical lives.

They may reach the end of their economic lives before they reach the end of their physical lives. A building gets to the end of its economic life when the value of the property with the buildings on site is less than the value of the land redeveloped to a new use. Maintenance or upgrading requirements may trigger evaluation of this 'trigger point'.

Buildings and other heritage items may lose economic value due to the following three processes⁴:

Economic obsolescence: This is the reduction in value of a structure or item caused by influences external to the property itself. For example, a change in land use patterns, or market oversupply, or legislative upgrading requirements.

Functional obsolescence: This results from design or materials that no longer meet the requirements of current users. Lack of parking or air conditioning making a office building hard to lease is an example. For heritage buildings examples given include poor floor plate configurations for modern needs, lack of insulation and / or poor energy efficiency.

² Managing Australia's Historic Heritage: Looking to the Future: Submission by the Chairs of the Heritage Councils of Australia and New Zealand to the Productivity Commission Inquiry into the Conservation of Historic Heritage Places, October 2005, page 16. Referenced via evidence of R. A McClean, NZHPT, August 2007 to Wellington City Council, Report HP33002-177 page16.

³ Goodhew. S, Pilkington. B, and Wilkinson. D, Listing Traditional Vernacular Buildings. The Education Trust of the Royal Institution of Chartered Surveyors, U.K.

⁴ This section of the report draws on evaluation work by Auckland City – Farrant. G, Auckland City Heritage Policy Review – Incentives. Environment Heritage & Urban Form Committee, 7 September 2007

Physical deterioration: This is a result of wear and tear with age, intentional damage, predators, pests and disease or events such as fire or earthquakes.

The ultimate challenge for heritage conservation is to help owners reduce or eliminate these three causes of value loss.

The use of regulations (e.g. District Plan) can be effective in reducing economic obsolescence by reducing or removing the incentive to redevelop. It achieves this by altering the legal options available to the owner and thus modifies what otherwise would be the 'highest and best use'.

To overcome functional obsolescence and physical deterioration is less straightforward. It requires investment in the property. For example heritage buildings need to be maintained and may also need to be rehabilitated to bring them up to modern functional standards. Alternatively, investment may be required to establish an entirely new use in a redundant heritage building.

The costs to an owner can be higher than for non-scheduled properties, due to materials and artisanship required to keep 'in character', and greater care and finesse required for work on a heritage item. The necessary capital investment may be in the public interest but unreasonably beyond the capacity of a property owner.

This necessary investment to rehabilitate or conserve heritage items cannot always be achieved by regulation alone, but may be encouraged by various financial incentives.

"These incentives need not amount to 100% of the cost – a reasonable financial gesture (or subsidy) appears from experience to be effective and acceptable to owners. The bulk of heritage items are in private ownership, and for the long-term sustainable conservation of these heritage items they must continue to serve the economic and functional needs of their owners"⁵.

For heritage buildings this may require the buildings to be adapted to continue in their existing use, or modified so that they may serve a changing use. The adaptive re-use of heritage buildings needs to be encouraged in a way that is economically viable, while still retaining the heritage values of the building. This must also be achieved while reasonably (but not blindly) meeting other objectives such as access for the disabled, and health and safety standards under the Building Act.

By encouraging successful rehabilitation, buildings will retain their economic value to owners. There will also be an economic incentive to maintain and invest in these buildings.

⁵ Farrant, G, Chief Advisor, City Heritage, Auckland City Heritage Policy Review – Incentives Report. Environment Heritage & Urban Form Committee, 7 September 2007

4.0 The Case For Heritage Investment

4.1 Theoretical Context For Evaluating Heritage Values

An ongoing challenge for public investment decisions around built heritage is pressure to demonstrate the 'value proposition'.

Background to the issues around defining value in relation to built heritage, and heritage in general are set out in Appendix 2 and 3.

In summary form these can be categorised⁶ as:

- **Intrinsic Value:** intrinsic value in terms of the individual's experience of heritage intellectually, emotionally and spiritually.
- **Instrumental Value:** this refers to those ancillary effects of heritage where it is used to achieve a social or economic purpose. Urban redevelopment and regeneration is one example.
- **Institutional value.** This relates to the processes and techniques that organizations adopt in how they work to create value for the public.

A subset of these value concepts are economic 'direct use' benefits of built heritage (for a fuller description of this concept see Appendix 3).

The following section focuses on the economic 'direct use' or 'Instrumental Value' aspects of tourism within Wellington. Information is available in relation to visitor numbers and behaviour to provide an indication of the scale of direct economic benefit accruing from built heritage.

4.2 Quantifiable Information On The Value Of Heritage Within Wellington

The 'Instrumental Value' contribution from built heritage in Wellington City can be inferred through examination of information generated for the New Zealand Tourism Strategy (see Appendix 4 for more details). It is stressed that this is but one element of the values associated with built heritage, however it is instructive in the measurable economic benefits it provides.

The salient points relevant to this report's purpose are shown in **bold** below.

The top five cultural products in the Wellington City area for international visitors are:

- Museum (49%)
- Shopping for souvenirs (48%)
- **Historic buildings (39%)**
- Exhibition of other New Zealand history (34%)

⁶ The Public Values Of Heritage, English Heritage Conference, 2007 <http://www.helm.org.uk/upload/pdf/Public-Value.pdf>

- Sites important to New Zealand history (33%).
(Colmar Brunton Survey Report for NZTE 2003, page 14)

A further finding of the research is that International visitors are generally more complementary than domestic visitors in comparing our offer to overseas. In the eyes of domestic visitors, New Zealand fares most poorly in our offer of **historic buildings**, art galleries / exhibitions, arts and craft markets, and shopping for souvenirs / gifts / educational purposes. (Colmar Brunton Survey Report for NZTE 2003, page 22, emphasis added,)

The research was also clear that there are a number of products whereby improvement will result in increases in visitors' overall holiday satisfaction (with the inference that improvement will give strengthen the economic performance). These products include:

- Marae visits
- Food and wine trails
- Exhibitions of other New Zealand history
- Local cuisine
- Sites that are important to Maori history
- Dance performances
- **Historic buildings** [*emphasis added*]

The report conclusions were that these products should be considered key development products for New Zealand (and by extension Wellington)⁷.

4.2.1 Value Of Heritage Within Wellington Related To Tourism

The relevance of the above is that tourism is estimated to contribute⁸ approximately 10% to the Wellington region's \$17 billion GDP on an annual basis. As at June 2007 just over 16,000 FTE jobs are employed in the sector.

Historic Buildings are shown through survey work on behalf of New Trade & Enterprise to be of interest to visitors and also a driver of satisfaction for visitor experience.

It is evident from the diagrams on the following page that while heritage buildings (see arrow for location):

- achieve high participation rates in terms of visitor experiences; and,
- are a moderate driver of overall holiday satisfaction,
- **they rank in the bottom third of satisfaction ratings in terms of performance of the 'the product'.**

That is, there is room for improvement.

⁷ page NZ Tourism Report – Colmar Brunton, Page 25 Recommendations)

⁸ Grace. M, Research & Development Manager, Positively Wellington Tourism

Diagram 1:

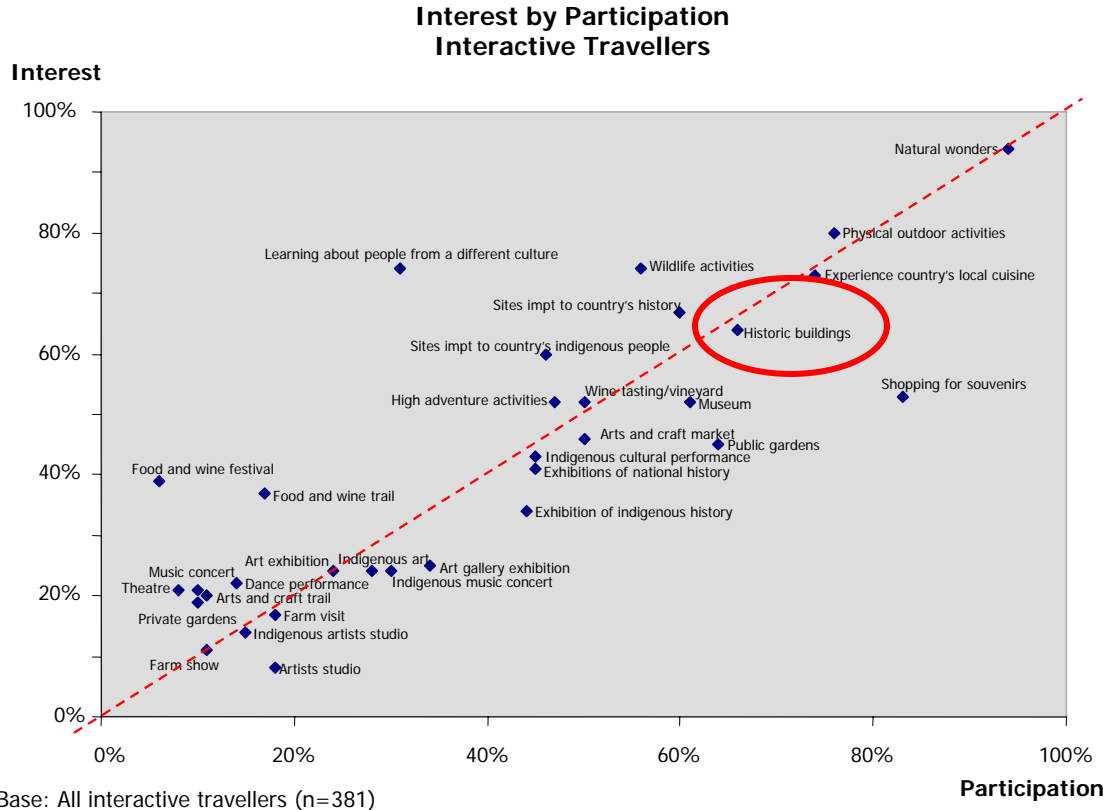
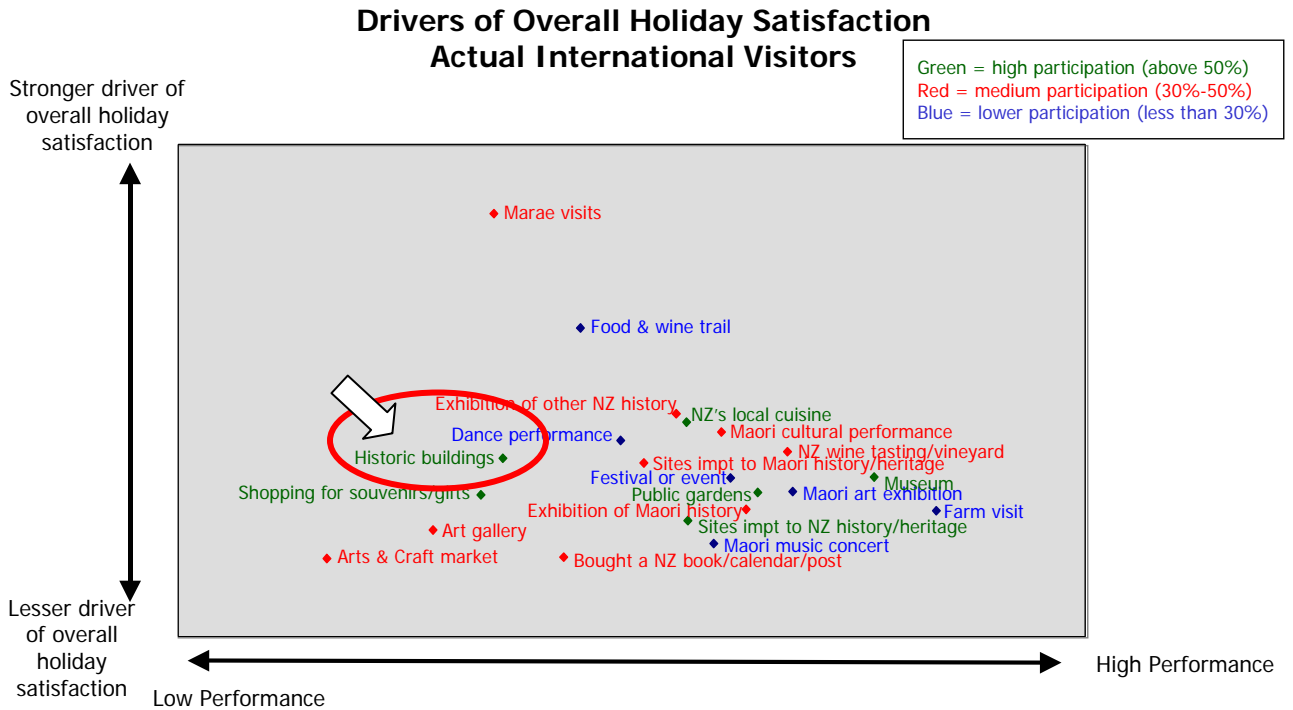


Diagram 2:



A significant proportion of visitors note heritage buildings as a feature of their visitor experience. This stood at 61% for international visitors and 22% for domestic visitors.

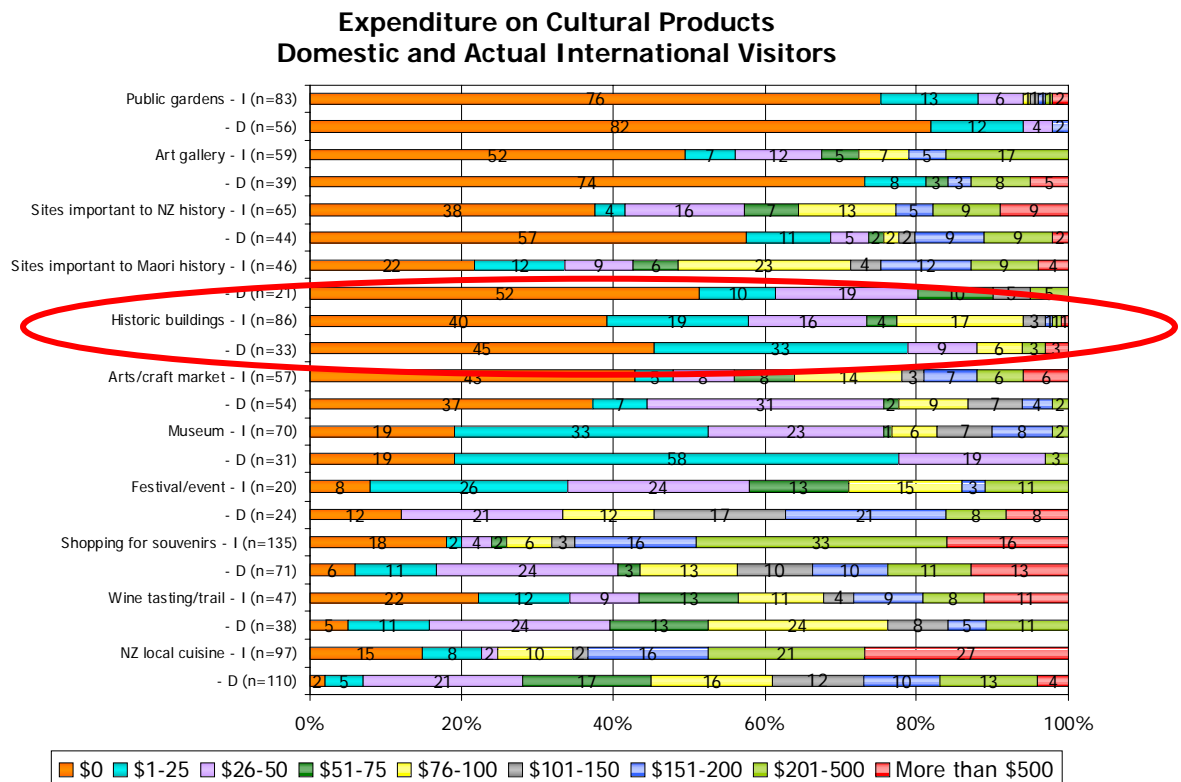
In relation to these visits the expenditure in relation to the activity was also surveyed (see diagram 3 below). This enables an estimation of the level of expenditure into the local economy in relation to visitor related heritage building expenditure.

Taking the estimated 796,600 annual international visits⁹ to Wellington in 2007 and applying the 61% 'experience' ratio discussed above, it suggests 485926 'heritage building interactions' per year in Wellington.

Applying the average range of expenditures shown in diagram 3 to the 485926 'interaction' figure suggests a direct expenditure into the local economy of the order of \$25 million annually from international visitors.

Using the same calculation approach the spending arising from the domestic visitor market in Wellington is indicated in the order of \$14 million per annum.

Diagram 3



Base: All who answered question for each product
Source: DOMESTIC Q11 & ACTUAL Q11

⁹ Forecasts of Regional Tourism Activity in New Zealand 2007-2013, Ministry of Tourism 2007

This makes for a combined total of \$39 million per annum related to the tourism / visitor 'instrumental value' of built heritage for Wellington.

Even allowing a significant factor for uncertainty around the figures, the order of magnitude remains in the tens of millions of dollars annually.

This strongly suggests built heritage is an asset worth investing in for optimal benefit to the local economy.

As the built heritage 'product' delivers a wider range of other 'values' in addition to the economic aspect from visitors, a case exists for ensuring the public support investment in built heritage 'product' is sufficient.

5.0 Heritage Management And Support

5.1 Heritage Support Scheme Comparisons

Financial drivers are recognized to influence built heritage retention and maintenance.

These have been recognized by other councils as set out in Table 1. This provides Heritage funding information for a selection of Australasian cities (including Wellington City).

Table 1: Australian Public Sector Heritage Support Schemes

<u>City</u>	<u>Name of Programme</u>	<u>Budget (per annum)</u>
Adelaide	Heritage Incentives Grant Scheme	\$1,000,000
Auckland City Council	Natural Area Conservation Grant Heritage Fund <i>Note: Up to \$1,600,000 p.a. is under consideration for the 2008/09 Annual Plan</i>	\$50,000 \$50,000
Brisbane	Heritage Fund	\$250,000
Queensland State Government	Incentive schemes providing further support options for heritage property owners	\$5,000,000
Victoria State Government	To help implement the new State heritage strategy with \$20.5 million over four years	\$5,125,000
Central Sydney	Heritage Grants Program N.B. also NSW state funding available	\$100,000
Christchurch	Heritage Retention Incentive Fund and Emergency Heritage Fund Heritage Building Purchase Fund Character Housing Maintenance Grant Scheme	\$600,000 \$300,000 \$100,000
Dunedin	Grants Scheme & access to rates relief	\$100,000
Melbourne	Melbourne Heritage Restoration Fund(grants and revolving fund)	\$2,000,000 asset base
Perth	Heritage Grants and Rates relief	\$900,000
Wellington	Heritage Fund	\$250,000

Direct comparison is not easy as definitions differ as to what constitutes heritage between cities. In Wellington and Christchurch, the term heritage applies predominantly to 'built heritage' whereas in Auckland it includes both natural and built heritage.

In Wellington the introduction of 'heritage areas', pressures arising around earthquake strengthening, and scope for extension of Built Heritage listings indicate a need to consider the adequacy of financial support for built heritage.

5.2 Previous Evaluations Of Options For Wellington City

Wellington City Council has previously considered its role in built heritage management, and options as to the range of tools at its disposal to foster good heritage outcomes¹⁰.

The suites of actions identified¹¹ as available can be summarised as:

Information / Inventory of Heritage

- Area & Object Inventory:
- Mechanisms for assessing adding buildings to the Heritage Schedule

Regulation

- Objectives Policies and Rule under RMA,
- Building Act

Incentives

- Financial and non-financial
- Grants, loans, rates reductions
- Consent fee waivers / reductions

Ownership

- Managing council's own resources.
- Partnerships with asset managers.
- Purchase of key buildings

Council Policies

- Heritage Strategy
- Continue co-ordination of policies with a built heritage content
- Earthquake Prone Buildings

Advocacy / Education

- Heritage awards (includes a 'Heritage Club' concept)
- Plaques
- Heritage Trails
- Work with tertiary and secondary institutions
- Heritage Help Desk
- Information / Newsletters

Coordination

- Partnership with owners
- Links with other Heritage organizations

¹⁰ Nakies Vossler Report 2000, Nakies Report 2002, Officer Reports 2003 & 2006, 2007

¹¹ See MfE Reference resource for co-operative community heritage, Opus International 2005

➤ Regional Heritage Forum

The choices within this range of tools that are currently supported are embodied in the council's adopted Heritage Strategy 2005, and resourced via allocations in the Long Term Council Community Plan.

The economic drivers of property owners decision making on heritage buildings is one of the most significant. Wellington City has recognized this to date through provision of grants funds.

Specific allocations are made by Wellington City in relation to grants for Built Heritage (\$250,000 per annum), and potential to seek funding support for earthquake strengthening on a case specific basis.

6.0 Rates Based Tools Available For Heritage Management And Support

Financial incentive are used internationally and nationally to promote heritage conservation objectives. For local government level rates relief is an established way of providing a financial incentive to private property owners.

Implementation can be in several forms as Table 2 below sets out.

Table 2: Rates Based Tools

Rates Tool Type	Description
<p>General Rate based budget allocation:</p> <p>Heritage Fund Grants</p>	<p>Heritage Funds are one of the most widely used tools used by local government in New Zealand.</p> <p>They can take several forms ranging from jointly administered by the Council and the community, to set up and administered solely by a Council. Heritage Funds make grants or loans to the owners of heritage buildings and / or items. Heritage grants help foster voluntary preservation and a partnership approach. It is common for at least a matching contribution to be made by the owner.</p> <p>Where significant grants are made the council investment is often protected by heritage covenants. In general, the outcomes being achieved by the use of the funds need to be monitored, and a good heritage outcome needs to be negotiated in return for the grant.</p> <p>Scope also exists for using defined criteria as to outcomes that are funded as of right. For example spending on earthquake strengthening to specific agreed standards could be automatically eligible for a heritage grant subsidy.</p> <p>Wellington City Council currently operates a grants fund which makes heritage funds available on a negotiated and contestable basis.</p>
<p>Rates Postponement</p>	<p>Rates postponement means that the payment is not waived, but is delayed until a certain time or trigger event occurs. This event can be a change of use or a change of ownership.</p> <p>Rates postponement enables the money that is postponed to be “clawed back” once a trigger event occurs.</p> <p>A variation on this concept available to the Council (and recommended in this report) is to put a limit on the amount that potentially can be clawed back.</p> <p>A five-year limit might be agreed whereby the postponed rates over 5 years old will be written off. Only the postponed rates less than 5 years will be clawed back when a trigger event occurs. Postponed rates are usually secured by way of a statutory land charge registered against the title of a property, which provides</p>

Rates Tool Type	Description
	<p>great certainty and security to the council.</p> <p>A condition of the rates postponement would be for a heritage retention and maintenance agreement to be signed by the owner. This would set out responsibilities and obligations regarding the heritage item. The postponed rates would then become payable if the terms of the heritage agreement were not met in council's opinion. This obliges administrative resource to be allocated from WCC to oversee this system.</p> <p>The attraction of this option to owners is that by postponing the rates the cash flow of the owner is increased which translates into property yield. The owner is in a position (and is bound by agreement) to maintain the heritage building and is in the position to use the increased cash flow to do so. If they choose to spend the money in other ways the rates could be "clawed back" at the time of a change of ownership of the property where there is clearly a matter of outstanding maintenance to be addressed.</p> <p>Any clawed back money could go into a general pool and possibly be 'recycled' into the heritage grants programme and offered to the new owner as an incentive to address any deferred maintenance or outstanding conservation issues.</p> <p>Such as system has new administrative overheads, but does enable opportunity to pro-actively monitor and manage the heritage resources that were subject to the programme.</p> <p>Participation in the programme would be voluntarily undertaken by the owner.</p> <p>The cost will vary depending on the number of eligible ratepayers applying and also according to the extent of the relief granted. It is recommended that heritage buildings are eligible for up to a 50% reduction.</p> <p>Rates postponement is provided via Part 3 of the Local Government (Rating) Act (LGRA) which provides powers to remit and postpone rates. The basis for doing so is wide-ranging.</p> <p>A local authority may remit (including postponing and writing off) rates on any rating unit, to any extent and for any reason providing that it complies with the policy that has been developed by the council.</p> <p>This policy must be prepared as part of the process of adopting a long-term council community plan (LTCCP) and be subjected to the special consultative process.</p>

Rates Tool Type	Description
<p>Rates remissions policy</p>	<p>Part 3 of the Local Government (Rating) Act (LGRA) provides powers to remit and postpone rates. The policy basis for this is broad and can include matters such as heritage management.</p> <p>A local authority may remit rates on any rating unit, to any extent and for any reason providing that it complies with the policy that has been developed by the council.</p> <p>The policy must be prepared as part of the process of adopting a long-term council community plan (LTCCP) and subject to the special consultative process.</p> <p>Rates remission in the form of a rates reduction (up to 100%) has been used by a number of TAs including Wellington City.</p> <p>Currently Wellington City has rates remission policy in place for rural land and recreational / open space.</p> <p>A remissions policy can be framed to include criteria that need to be met to qualify. For Built Heritage this could include ensuring that appropriate and adequate maintenance of buildings is undertaken.</p>
<p>Differential Rating</p>	<p>Differential rating has typically been used as a mechanism to distinguish the level of rates paid per dollar of property value by the commercial sector compared with the residential sector.</p> <p>Wellington City currently applies a differential rate to all non-residential property.</p> <p>The Local Government (Rating) Act allows councils to assess rates on a differential basis (i.e. different levels and/or bases for different types of properties).</p> <p>Wellington City has a differential for its general rates, where there is a higher “loading” for non-residential properties and a lower loading for rural properties compared with residential properties of the same value.</p> <p>Characteristics such as zoning or class of property in terms of the District Plan can be used to define a differential rate. This would require adjusting the rating framework for the city.</p>
<p>Targeted Rates</p>	<p>The intention of targeted rates is to provide funding to meet the cost of a particular function by a specific rate which may or may not be targeted to a particular category of property. Wellington City already uses targeted rates for purposes such as area specific infrastructure upgrades.</p> <p>A targeted rate can in theory be used to finance heritage initiatives such as the purchase of heritage buildings or the provision of grants or loans to owners of heritage items.</p>

Rates Tool Type	Description
Loans General Rate based budget allocation:	<p>Councils are empowered to adopt policy to enable provision of loans for purpose meeting predetermined criteria.</p> <p>The provision of a loan can potentially be on more favourable terms than commercially sourced finance.</p> <p>Loans are a tool used internationally and within New Zealand. The administrative requirements to set up and oversee loans means they tend not to be widely used in New Zealand.</p>
General Rates Funding: Advice / information / education / promotion RMA functions (some user pays) Building Act functions (some user pays)	<p>General rates funding is currently used for the bulk of built heritage activity related to statutory functions.</p> <p>This role is considered appropriate and is anticipated to continue.</p>

6.1 What heritage management tools might work?

Table 3 sets out an evaluation of the circumstances where a particular tool is most effective. Rates based tools, statutory and information / advice / information are considered.

Table 3: Evaluation of Rates Based Tools

	Potential To Achieve Desired Built Heritage Outcomes			Issues with choice of tool	
	Recognises owners who maintain their building and do not make changes	Supports owners who maintain and seek major heritage compatible upgrades / refurbishments	Supports owners who maintain and seek minor heritage compatible upgrades / refurbishments	Advantages	Disadvantages
Grants Fund	No. Not applicable as only triggered by changes to buildings	Yes. Triggered by change to building & enables heritage outcomes to be specified as basis of funding.	Potential However disincentives for minor projects due to costs / time relative to relatively small amounts sought.	Advantages of Heritage Grants <ul style="list-style-type: none"> • It can achieve positive heritage outcomes not possible from regulation • Encourages / brings forward increased private investment in the conservation of heritage items. • The process is highly transparent • The cost can be calculated and controlled • Grants create goodwill with owners and thus can help avoid costly litigation caused by adversarial relationships with owners. • Can be linked to actual development and/or maintenance costs. 	Disadvantages of Heritage Grants <ul style="list-style-type: none"> • Scale of investment required particularly to assist with earthquake strengthening. • Demand for funding may exceed the size of the fund requiring that worthy applications are declined. • Application cycle gives some uncertainty as to what other applications may arise later in the financial year. • Process can become 'political'. • Effective management requires moderate to high council officer time allocations

	Potential To Achieve Desired Built Heritage Outcomes			Issues with choice of tool	
	Recognises owners who maintain their building and do not make changes	Supports owners who maintain and seek major heritage compatible upgrades / refurbishments	Supports owners who maintain and seek minor heritage compatible upgrades / refurbishments	Advantages	Disadvantages
Rates postponement facility	Possible. Would require criteria for postponement to include being available for heritage maintenance purposes.	Yes but effectiveness limited by scale of benefit accruing under rates relief. Grants funding better suited to major heritage project requirements	Yes. Postponement mechanism improves yield and gives public acknowledgement of value place on heritage plus 'public good' impacts on private owners.	<ul style="list-style-type: none"> • Legislative basis exists which envisages this option. • It is a strong advocacy tool • Addresses the concerns of long term owners who could not have reasonably foreseen their property being affected by heritage controls. • It provides a tangible benefit that recognises the constraints placed on heritage items along with the public benefits provided by heritage. • It assists to mitigate the additional costs that result from the need to maintain heritage items to a high conservation standard. • The process is transparent and open to public debate. • Postponed rates allow ability to enforce maintenance or provide 'claw back' of public funds. • Is highly visible to ratepayers as a summary of the remission and postponement policy and appears on the rates notice along with any actual relief. 	<ul style="list-style-type: none"> • Cost to be bourn across other ratepayers. • Additional administrative costs involved • Difficult to estimate accurately the costs of the relief as the potential proportional uptake of the postponement can vary from year to year. • Even though targeted to contributing heritage buildings the variable condition of them, plus capital to land value ratios mean some modest windfall gains within this group will occur. • The level of rates and hence rates relief is not directly linked to actual maintenance costs. • Argument can be made that the purchase price for some owners will have reflected allowance for heritage listing or scope for listing. Therefore this group of owners will in effect receive a windfall gain through having rates postponement available to them.

	Potential To Achieve Desired Built Heritage Outcomes			Issues with choice of tool	
	Recognises owners who maintain their building and do not make changes	Supports owners who maintain and seek major heritage compatible upgrades / refurbishments	Supports owners who maintain and seek minor heritage compatible upgrades / refurbishments	Advantages	Disadvantages
Commercial rates remission policy	Yes.	Incidentally Does not offset major investments needed	Incidentally Can help offset minor investments needed	<ul style="list-style-type: none"> Defensible position under legislation exists for adopting policy in this area. A strong mechanism for demonstrating and giving recognition to heritage areas and / or heritage listing and associated assessment process being a 'public good' purpose. Criteria could be applied to require positive built heritage outcomes. Continuing eligibility for rates remission can be linked to monitoring for RMA purposes. 	<ul style="list-style-type: none"> Foregone rates from this tool have to be redistributed across other ratepayers, and some ratepayers will not be convinced they should contribute. May be seen to give rise to a 'precedent' effect for other community / socially desirable agendas.
Residential rates remission policy	Yes.	Incidentally Does not offset major investments needed	Yes Scale of residential minor works means it could be a useful contribution in circumstances where minor investments needed	<ul style="list-style-type: none"> Defensible position under legislation exists for adopting policy in this area. A strong mechanism for demonstrating recognition that heritage listing and associated controls is for the 'public good'. Criteria could be applied to require positive built heritage outcomes. 	<ul style="list-style-type: none"> Foregone rates from this source have to be redistributed across other ratepayers, and some ratepayers will not be convinced they should contribute. May be seen to give rise to a 'precedent' effect for other community / socially desirable agendas.

	Potential To Achieve Desired Built Heritage Outcomes			Issues with choice of tool	
	Recognises owners who maintain their building and do not make changes	Supports owners who maintain and seek major heritage compatible upgrades / refurbishments	Supports owners who maintain and seek minor heritage compatible upgrades / refurbishments	Advantages	Disadvantages
Reduced Commercial rate differential	Yes.	Incidentally Does not offset major investments needed	Incidentally Only a gesture as unlikely to significantly offset minor investments needed	<ul style="list-style-type: none"> A strong mechanism for demonstrating recognition that heritage area and / or heritage listing and associated assessment process is for the 'public good'. 	<ul style="list-style-type: none"> Greater scope for legal challenge to setting differentials compared to having a remissions policy. Linkage to achievement of built heritage outcomes less direct. Foregone rates from this source have to be redistributed across other ratepayers, and some ratepayers will not be convinced they should contribute. May be seen to give rise to a 'precedent' effect for other community / socially desirable agendas.
Reduced Residential rate differential	Yes.	Incidentally Does not offset major investments needed	Incidentally May be a useful contribution in some residential circumstances where minor investments needed	<ul style="list-style-type: none"> A strong mechanism for demonstrating recognition that heritage listing and associated controls is for the 'public good'. 	<ul style="list-style-type: none"> Greater scope for legal challenge to setting differentials compared to having a remissions policy. Linkage to achievement of built heritage outcomes less direct. Foregone rates from this source have to be redistributed across other ratepayers, and some ratepayers will not be convinced they should contribute.

	Potential To Achieve Desired Built Heritage Outcomes			Issues with choice of tool	
	Recognises owners who maintain their building and do not make changes	Supports owners who maintain and seek major heritage compatible upgrades / refurbishments	Supports owners who maintain and seek minor heritage compatible upgrades / refurbishments	Advantages	Disadvantages
Reduced Residential rate differential (continued)					<ul style="list-style-type: none"> • May be seen to give rise to a 'precedent' effect for other community / socially desirable agendas.
Loans (low or no interest)	No Process likely to be too complicated for other than the most extensive commercial maintenance projects	Yes Scale of projects could justify transactions costs around securing the loan	Possibly Scale of projects may justify transactions costs around securing the loan	<ul style="list-style-type: none"> • Can use council's ability to borrow at cheaper rates. • May assist for projects 'on the cusp' of viability. • Can be used to show commitment to 'public good'. 	<ul style="list-style-type: none"> • Administration, costs and process and legal requirements for establishing and getting repayment of loans. • Risk carried by council. • Debt shows on council balance sheets.
Consent Fee Waivers	No Only triggered by activities that change a property	Yes A form of recognition but does not offset major investments needed	Yes May be a useful contribution in circumstances where minor investments needed	<ul style="list-style-type: none"> • A strong mechanism for demonstrating recognition that additional heritage assessment process is for the 'public good'. 	<ul style="list-style-type: none"> • Cost of applications fee foregone and impact on departmental budgets. • Costs need to be redistributed across other ratepayers, and some ratepayers will not be convinced they should contribute.
Heritage Advice & Information	Yes Useful contribution to consideration of options and types of maintenance works	Yes Useful contribution but does not offset major investments needed	Yes Useful contribution in some circumstances where minor investments needed	<ul style="list-style-type: none"> • Ensures building owners are well informed as to choices • Enables problem solving and 'opportunity spotting'. • Improves understanding and appreciate of Wellington's heritage. 	<ul style="list-style-type: none"> • A weak tool to influence outcomes.

	Potential To Achieve Desired Built Heritage Outcomes			Issues with choice of tool	
	Recognises owners who maintain their building and do not make changes	Supports owners who maintain and seek major heritage compatible upgrades / refurbishments	Supports owners who maintain and seek minor heritage compatible upgrades / refurbishments	Advantages	Disadvantages
Heritage recognition / celebration	Yes Useful contribution to encouraging 'best practice'	Yes Useful contribution to encouraging 'best practice'	Yes Useful contribution to encouraging 'best practice'	<ul style="list-style-type: none"> Public recognition and celebration demonstrated to incentivise people to pursue 'best practice' 	<ul style="list-style-type: none"> A weak tool to influence outcomes where strong economic drivers of decisions are at work.
Heritage advocacy for more central government funding	Yes See State Government programmes in Australia	Yes See State Government programmes in Australia	Yes See State Government programmes in Australia	<ul style="list-style-type: none"> Additional funding source Scope to pool information and best practice techniques. 	<ul style="list-style-type: none"> Medium to long term timeframe likely to achieve
Building Act Policies on Earthquake Strengthening for Heritage buildings	Yes Major factor affecting owners decision making on their buildings future	Yes Major factor affecting owners decision making on their buildings future	Yes Major factor affecting owners decision making on their buildings future	<ul style="list-style-type: none"> Clear policy framework around the application of the Building Act will reduce risks of steps towards Building demolition. 	<ul style="list-style-type: none"> Requires council resources to pursue and implement.
District Plan provisions (RMAct)	Affects property rights so therefore strongly influences decision – making on heritage buildings. Consent 'thresholds' may impact 'go / no go' decisions on investment in maintenance, upgrading and / or retention.	Scale of project means professional / advice likely to have been obtained	Scale of project means council consent processes and costs may represent significant consideration in overall project 'go / no go' decisions.	<ul style="list-style-type: none"> Strong tool for defining property rights. Enables detailed assessments and conditions of consent. 	<ul style="list-style-type: none"> Only triggers through situations of change. Many buildings with heritage value not currently protected. Inclusion in listings for District Plan can take many years and be costly unless owners are willing.

7.0 Option Evaluation

The rates based tool described in the preceding section, have been evaluated alongside other legislative tools (Building Act and Resource Management Act) and associated information, advice and promotion / education tools. Set out below is a summary evaluation of the relative effectiveness of the tools identified in the preceding section. Darker shading indicates more effective tools.

Table 4: Option Evaluation

<i>Tool employed</i>	<i>Circumstances / Outcome Sought</i>			
	Built Heritage maintained but otherwise unaltered	Major Project retaining / improving built heritage item	Minor Project retaining / improving built heritage item	Enhanced public awareness & support for built heritage
Enhanced grants Fund				
Rates postponement				
Rates remission policy				
Advice / information / recognition		W		
Building Act Policy for Heritage items				
RMA District Plan provisions				
Built Heritage Fund (revolving / emergency)				
<i>Items below are technically feasible but not recommended at this time</i>				
Differentials: business & residential rates	W	W	W	
Loans (low or no interest)	W		W	

Key:	Code
Strong influence	
Medium influence	
Low influence	
No / negligible influence	

Note: A “W” in any box denotes an identified weakness for legislative, administrative or effectiveness reasons (see individual evaluation table for details).

8.0 Built Heritage & Residential Areas

Heritage management efforts around New Zealand are generally directed towards commercial or public built heritage. The rationale for this is for both practical necessity and principle.

The practical aspect is community's willingness and ability to invest in heritage support. On the basis that heritage management funding support will not cover all actions that might be deemed desirable, choices have been required as to effective application of available funding.

Following evaluation of relative risk to built heritage, the extent to which supported built heritage is available to the public (i.e. exposure by being in heavily used public locations such as the CBD or centres), and the nature of investments needed (e.g. earthquake strengthening applying to commercial buildings) built heritage funding support has only been directed to residential buildings on a limited basis.

Of the 535 listed heritage buildings over half are within residential zones. These owners face maintenance costs generally slightly higher than owners of other residential buildings due to materials used, and due to the age of the properties involved.

Another issue relates to mixed views as to whether heritage listings add to or hinder property values. Support for residential built heritage would assist with this 'perception' issue in a tangible way, particularly through improving the acceptance of being brought into the heritage listing regime.

As the cost of resource consents relative to the value of works being undertaken on residential properties can be a material consideration, providing waivers from resource and building consents is worthwhile pursuing.

9.0 Resource Management Act

Statutory tools already in use are District Plan policies and rules affecting listed heritage buildings. Heritage listed buildings and the introduction of 8 new 'heritage areas' are the primary tools.

Other statutory and non-statutory tools are in use. These include education, promotion.

Publicly celebrating 'good practice' around built heritage is a tool that assists in encouraging other owners to adopt similar approaches for their buildings.

These mechanisms are important and should be continued. Evaluation work for this report suggests some modest additional resourcing of the non-statutory elements would be beneficial.

10.0 Building Act

An issue emerging in developing this report is alignment between implementation of Building Act requirements vis-à-vis heritage outcomes sought by the council. Council has liabilities under the Building Act it needs to tackle in terms of earthquake prone buildings.

The concern is that the process of alerting owners to date may not have sufficiently highlighted that the Building Act contains provisions enabling assessment of earthquake strengthening needs to take account of heritage values of buildings.

Earthquake strengthening is attributed with an increase in the number of listed heritage properties for which demolition is being sought (currently 8 properties are with the Historic Places Trust for assessment, compared with one in 2006).

Policy to ensure property owners are clear on their obligations, but also have clarity as to potential to access Building Act provisions to reduce requirements is important. Auckland City Council have adopted policy in this regard which is viewed as leading the way in the New Zealand context. It is suggested that Wellington City Council might review its practice and policy against the Auckland City example.

11.0 Conclusions

Built Heritage contributes to important aspects of Wellington City's goals around community outcomes.

Current support for built heritage have assisted to preserve and enable adaptive reuse, however it is evident that pressures arising from several causes require a rethink.

Further publicly funded support for built heritage is considered warranted. This report sets out a range of options, and suggests the scale of public investment needed is in the order of \$1 million per annum.

12.0 Recommendations

Built heritage management options considered to have greatest potential for Wellington City are:

- **Augmented built heritage grants funding for major projects** (defined as \$50,000 plus) where change is involved (e.g. earthquake strengthening or contributing to refurbishing for new activities);
- **Rates postponement** and rates write-off as a public good contribution to **minor** (less than \$50,000) built heritage project work delivering heritage outcomes;
- A **commercial area rates remissions policy** which enables reduced rates for contributing heritage buildings around the CBD in the defined 'heritage

areas' where owners are **maintaining buildings but otherwise leaving them unaltered.**

- A **residential area rates remissions policy** which enables reduced rates for listed heritage buildings in residential zones where owners are **maintaining buildings but otherwise leaving them unaltered.**
- Additional general rate funded allocation to **built heritage information, advice, advocacy and celebration of good practice.**

Each of the above options are technically capable of being implemented but require carefully crafted policy decisions in terms of council's philosophy to rating and funding policies.

Consideration might also be given to provision of a 'heritage purchase and restoration fund' which could act as an emergency contingency fund to enable limited but urgent discretionary expenditure to address unexpected heritage opportunities or risks.

Rates postponement payments received in future periods, and any of the heritage grants funding allocations not drawn down in any particular year policy might also be directed to this public 'heritage purchase and restoration fund'. Over time this has potential to develop into a revolving fund to hasten achievement of heritage objectives through direct public intervention in the market, upgrading, protection and then resale to allow funds to be reinvested.

Other specific actions available to the council are that the Building Act enables a council to adopt policies providing for dispensations and waivers around Heritage Buildings. This can avoid situations where slavish compliance will compromise the heritage building. Auckland City has adopted a framework that provides useful guidance for Wellington City to consider in terms of extending its current policy.

The provision of heritage guidance notes, educational materials, officer advice, and access to information is important in supporting the council's Resource Management Act policies and rules in the District Plan. It is suggested that these activities should at the very least continue at current levels, or ideally receive further funding support.

Advocacy action to central government should be pursued to explore extending taxpayer support for heritage buildings. The justifications developed and level of funding support provided in Australia provide a useful starting point.

Appendix One: Wellington City Built Heritage Policy 2005

Wellington City released a Built Heritage Policy in June 2005. The Built Heritage Policy 2005 consists of an overall vision, three high level goals, six objectives and a number of actions.

These provide the direction and framework for what the Council wants to achieve in the next 10 years. The Council's vision conforms with the ideals of the Council's Long Term Community Plan, and the Resource Management Act 1991. The Policy also includes an implementation plan, which expands on the actions and outlines a timeframe.

Vision

Wellington is a creative and memorable city that celebrates its past through the recognition, protection, conservation and use of its built heritage for the benefit of the community and visitors, now and for future generations.

Goals

The Built Heritage Policy 2005 is based on the following goals:

- **Recognition** – Wellington's built heritage is recognised as contributing to our understanding of our cultural diversity and awareness of sense of place
- **Protection, conservation and use** – Wellington's unique character is enhanced by the protection, conservation and use of its built heritage
- **Sustainable economic use** – Wellington's built heritage is acknowledged as contributing to a vibrant economy.

Objective 1 – Recognition

To continue to recognise built heritage places as essential elements of a vibrant and evolving city.

Objective 2 – Protection

To protect the city's built heritage from adverse effects that may compromise the heritage values of a place, including physical deterioration and inappropriate subdivision, development and use.

Objective 3 – Public awareness

To actively promote and celebrate the city's built heritage.

Objective 4 – Conservation

To ensure that best practice in heritage conservation is followed by heritage practitioners, owners and occupiers of heritage buildings and Council staff, and the loss of heritage values is minimised.

Objective 5 – Sustainable economic use

To encourage and support economic growth that preserves and enhances the distinct character of communities, neighbourhoods, urban quarters and suburban centers through the sustainable use of the city's built heritage assets.

Objective 6 – Council effectiveness

To provide effective support for the implementation of Council's objectives and aspirations for the city's built heritage.

Monitoring

Implementation of the Built Heritage Policy 2005 is being monitored and its benefits assessed to ensure its objectives are being achieved.

Monitoring of the Council's Long Term Community Plan is based on the three goals listed above, and reflected in the Annual Report. Monitoring of the RMA is reflected in District Plan review processes, with changes made accordingly.

The Wellington City Council has a statutory obligation under the Historic Places Act 1993 and the Resource Management Act 1991 to identify and provide for the protection of the city's heritage. The elevated status given to built heritage under the Resource Management Amendment Act 2003 (which made the recognition and protection of historic heritage a matter of national importance), and the launch of the Council's *Creative Wellington – Innovation Capital* vision, provided an opportune time to review the Council's approach to heritage issues.

Appendix Two: Concepts of Value In Relation To Built Heritage

Source: English Heritage Trust Conference 2007 <http://www.helm.org.uk/>

Work continues on devising a systematic and replicable means for representing heritage value in ways that can assist in policy formulation. The difficulty faced is one of measurement. Economic values are relatively easy to measure, at least in principle, because they can all ultimately be expressed in monetary terms. Heritage and cultural value, on the other hand, has no ready-made unit of account¹².

The suggested approach is to break cultural value up into its constituent elements as a means of assessing its dimensions. In the case of heritage these elements are seen to include:

- *aesthetic value*: beauty, harmony
- *spiritual value*: understanding, enlightenment, insight
- *social value*: connection with others, a sense of identity
- *historical value*: connection with the past
- *symbolic value*: objects or sites as repositories or conveyors of meaning
- *authenticity value*: integrity, uniqueness.

These values derive from a broadly cultural discourse about the significance of art and culture in human affairs. It is obvious that cultural value in this context is multidimensional, qualitative, subjective and likely to change over time¹³. A variety of methodologies have been explored over the decades with recent thinking on the subject¹⁴ being termed a “public value approach”. This consists of three dimensions¹⁵ as follows:

Intrinsic Value: intrinsic value in terms of the individual's experience of heritage intellectually, emotionally and spiritually. It is these values that people refer to when they say things like ‘This tells me who I am’, or ‘This moves me’ or quite simply ‘This is beautiful’.

People differ in their individual judgments, and because these values are experienced at the level of the individual, they are hard to quantify – yet we know they exist.

Instrumental Value: this refers to those ancillary effects of heritage where it is used to achieve a social or economic purpose. Urban redevelopment and regeneration is one example, but there are also less clearly connected objectives, such as the reduction of crime. Instrumental values are generally expressed in figures, but the measurement of such benefits – social or economic – is highly problematic.

Institutional value. This relates to the processes and techniques that organisations adopt in how they work to create value for the public. Institutional value is generated, or destroyed, by *how* organisations engage with their publics; it flows from their working practices and attitudes and is

¹² Aspects of the economics of heritage are discussed in Hutter and Rizzo (1997) and Peacock (1998). A fuller account of the application of cultural capital and sustainability principles to heritage conservation can be found in Throsby (2001). Several examples of the application of economic evaluation methods to cultural heritage are presented in Navrud and Ready (2002).

¹³ The Instrumental Benefits Of Heritage, English Heritage Trust Conference, page 43
<http://www.helm.org.uk/upload/pdf/Public-Value.pdf>

¹⁴ For example as used as the defining typology at the English Heritage Trust Conference in March 2007

¹⁵ The Public Values Of Heritage page 15 English Heritage Conference
<http://www.helm.org.uk/upload/pdf/Public-Value.pdf>

rooted in notions of the public good. Through its concern for the public an institution can achieve such public goods as creating trust and mutual respect between citizens, enhancing the public realm and providing a context for sociability and the enjoyment of shared experiences. Heritage organisations should be considered not just as repositories of objects, or sites of experience or ways of generating cultural meaning, but as creators of value in their own right.

These three categories of value – the intrinsic, the instrumental and the institutional – can be visualised as forming the three angles of a triangle. The equal angles are there to suggest the equal importance of the intrinsic, the instrumental and the institutional.

Australian professor David Throsby has proposed a system for the economic evaluation of heritage, examining direct and indirect values as well as introducing the useful concept of 'cultural capital' (Throsby 2001). In France, Xavier Greffe also proposes economic models to determine the economic value of heritage (Greffe 2003).

American professor Randall Mason has produced several research studies on the value of heritage for the Getty Conservation Institute (e.g. Avrami, Mason and de la Torre 2000).

Two American economists also make the case. Donovan Rypkema sees heritage properties as a differentiated product that commands a monetary premium (Rypkema 2003). Storm Cunningham argues that natural and cultural heritage offers economic opportunities in the trillion dollar range as global industries restore natural and human environments when new land for development runs out (Cunningham 2002).

Investment in heritage also makes sense from an environmental perspective. Some commentators contend that reusing existing buildings consumes more than a quarter less energy than new construction, thereby capitalising on the embedded energy invested in the original structures.

By remaining within existing urban footprints, historic districts avoid new burdens on the water, sewer and transport systems, thereby contributing to sustainability.

There is also a reduction in the amount of waste going to landfill. In New Zealand, Canada, and elsewhere estimates suggest that construction and demolition waste accounts for more than 20 per cent of materials going to landfill sites.

In addition to economic and environmental values, there are also social values associated with heritage conservation. Social values are more difficult to determine, however they are usually linked to identity and a sense of connection.

Public opinion polls usually indicate high support for history and historic places, although methodologies differ and findings are sometimes inconclusive.

No matter how well the case is made for the economic, environmental and social value of historic places, getting political attention has generally been difficult.

Appendix Three: Benefits & Costs Of Historic Heritage Protection

Historic Places Trust of New Zealand. Evidence presented by Robert McClean, Senior Heritage Policy Adviser, New Zealand Historic Places Trust / Pouhere Taonga, August 2007

1. Economic theory identifies two main types of values – direct use and indirect use values. Direct use values, also known as private utility, refers to the ability of the building to provide a viable service, usefulness or utility to the owner. Generally, when a building is useful to the owner it is repaired and maintained and sometimes adapted for new use. Private utility of commercial heritage buildings is influenced by a range of matters including the nature of changing needs, commercial trends, nature of capital stock, visibility, location, and profitability. Putting it simply, it is often the case that when profits decline, investment into capital declines and building stock decays.
2. Indirect use values (or public utility) involve those broader benefits to the community, optional and bequest values (conservation for future potential uses and for future generations), and existence values (value from knowledge of continued existence). Public utility is often about the value the public places on a building in terms of its perceived contribution or usefulness to the townscape and its heritage. The concept of heritage as a ‘public good’ includes both direct and indirect use values.

Direct Use Value: Commercial or public use value

Indirect Use Value: Indirect commercial or public value

Investment Option Value:

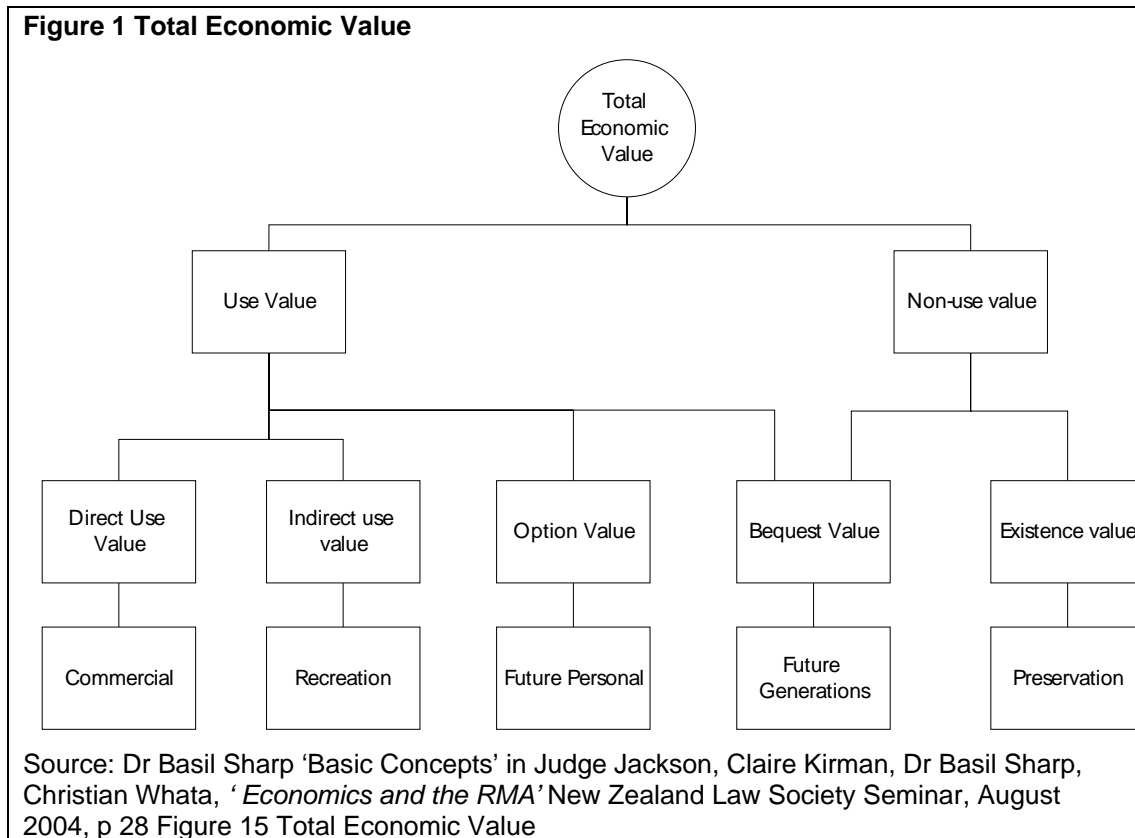
Opportunity for the owner or commercially interested party to utilize the resource for a future use which would yield higher financial returns than its existing use.

Option Value: Value that may be realized in the future by the existing public.

Bequest Value: Value that is derived from passing on assets to future generations.

Existence Value: Value that is derived from the knowledge that a particular thing exists and is protected.

Figure 1 Total Economic Value



3. When a building has high public utility and is owned by the public (represented by the local authority) there is an alignment between value and ownership. This is often the case with well used and maintained halls, theatres and other public venues.
4. With regard to private buildings, especially commercial buildings, there can be tensions between private utility and public utility as it may be the case that a building is perceived to be 'useless' to an owner but still valued by the public. Sometimes these types of buildings need new adaptive uses to regain some utility and viability. Incentives are an important tool to promote adaptive reuse of historic buildings especially with regard to expensive earthquake strengthening work.
5. A classic example of loss of private utility is the example of a stable designed for watering and storage of horse-drawn traffic. With the introduction of motor vehicles, the original utility of the stable is lost. Utility can only be retained or restored if the stable is reused for another purpose. However, despite the loss of private utility, the stable may retain high public utility values for its contribution to the history of the town. In the case of many commercial heritage building, the public utility of heritage buildings contributes towards private utility since the public appreciate the attractiveness of historic buildings that have landmark, social, and architectural significance.

6. The table below illustrates the different combinations of public and private utility values and the implications for heritage buildings.

Public Utility	Private Utility	Possible Outcomes for Heritage Buildings		
		<u>Public:</u> halls, schools, churches etc	<u>Public-Private:</u> commercial, industrial, retail	<u>Private</u> residential dwellings
High	High	Regular maintenance and repair	Regular maintenance and repair	Regular maintenance and repair
High	Low	Regular maintenance and repair	Regular maintenance and repair normally with public financial support	Possible neglect
Low	High	Uncertain depending on financial ability of owner	Regular maintenance and repair depending on profitability	Regular maintenance and repair
Low	Low	Neglect	Neglect	Neglect

7. Retail trends change on both a local, regional, and national level. The trends can result in a decline in profitability or returns on investment and result in negative private utility. It is nearly impossible to determine future utility and it would be extremely difficult to guess the types of uses that heritage buildings attract. Many local authorities, the New Zealand Lotteries Board, and the NZHPT provide funding assistance to owners of heritage buildings to offset short-term negative private utility.
8. Substantial research in the Australian context has found that the registration, listing, or protection of historic residential properties has little influence on property values. Other factors such as location, general amenity, and general crime rates are much more

important deciding factors for property values.¹⁶ With regard to commercial buildings, value is also related to a range of factors, especially market demand trends. These trends (which can be very short term) often value historic fabric on having a branding value and companies such as 'Speights' have adopted this factor to their full financial advantage. **The Australian research highlights the importance of financial incentives to accompany any regulation to ensure a 'cost-benefit swing' in favour of the conservation of a heritage building.**¹⁷ *[emphasis added]*

9. Overseas research has, however, demonstrated a link between regulation and demolition by neglect. Demolition by neglect occurs when buildings collapse as a result of lack of maintenance. While demolition by neglect is largely a maintenance issue rather than a regulatory issue, there can be instances when a regulatory regime is an influencing factor in levels of maintenance work and subsequent building condition. For example, in the English context, research by the University of Plymouth in the central conservation areas of three North Cornish towns, found that listed domestic buildings were in a significantly worse general condition than non-listed buildings of a similar age. Listed commercial buildings, however, were found to be in a similar condition to non-listed contemporaries.¹⁸
10. To explain the differences between listed and non-listed building condition, the study explored the relationship between regulation, occupancy, and condition. It was found that levels of occupancy were a deciding factor and that generally unoccupied listed buildings were found to be in a significantly worse condition than unoccupied non-listed buildings.¹⁹ To explain levels of under occupancy, it was thought that if regulation was to overly prevent alterations to listed buildings for new purposes, it may discourage adaptive reuse and eventually lead to decay and neglect.
11. While the study found that restrictions on listed buildings can influence poor maintenance outcomes, the authors stated that the **'solution to improving listed building condition does not, therefore, lie with removing the restrictions' but with provision of improved incentives.**²⁰ *[emphasis added]*

¹⁶ *Managing Australia's Historic Heritage: Looking to the Future: Submission by the Chairs of the Heritage Councils of Australia and New Zealand to the Productivity Commission Inquiry into the Conservation of Historic Heritage Places*, October 2005, p 16

¹⁷ *ibid*, p 17

¹⁸ See: Goodhew. S, Pilkington. B and Wilkinson. D, *Listing Traditional Vernacular Buildings has been Detrimental to their Condition*, The Education Trust of the Royal Institution of Chartered Surveyors, UK http://www.rics.org/BuiltEnvironment/Buildingtypes/Historicbuildingsandancientmonuments/Listedbuildings/listing_of_traditional_20030124.html

¹⁹ *ibid*

²⁰ *ibid*, p 45

12. In New Zealand no study of building condition has been undertaken that compares non-listed and listed buildings. However, the NZHPT is promoting state of the environment reporting in New Zealand for historic heritage and has adopted the basic framework of the Australian State of the Environment project. For example, the NZHPT conducted a regional state of the environment report for the Wellington Region. The Wellington regional SER historic heritage report concluded that 'the total state of the historic heritage environment cannot be measured in a physical or mathematical sense. By nature, historic heritage is defined and redefined by people whose values about heritage environment change with time and place.'²¹ While the Wellington survey was limited by the small number of places visited for each district, tentative conclusions were:

- The condition and integrity of most of the surveyed heritage buildings was generally positive. Many buildings show evidence of recent repair and maintenance and had uses compatible with their heritage value. There did not appear to be any major differences between Category I and Category II with regard to condition and integrity.
- The integrity of private residential buildings tended to be healthier than commercial and public buildings. However, in some cases public and commercial buildings were in better condition. A number of residential dwellings are cause for alarm, especially those houses that have lost their original usage. In this regard, Taylor-Stace Cottage (Porirua) is a key concern. This building is a Category I Historic Place and the oldest cottage in the Wellington region. The cottage is used as an office and pipe store and is threatened by flooding and general decay.
- The condition of outbuildings associated with rural buildings is a key concern. With changes in farm practices and management, these buildings often become 'redundant' with a loss of utility value. An example is Sayers Slab Whare (Category I) which was a historic family home and then used farm storage shed. The Whare is at serious risk of collapse and is threatened by a neighbouring tree. The building has been the subject of an NZHPT Heritage Incentive Fund grant and work to remove the tree commenced in April 2005.
- The integrity of commercial buildings is a key concern, especially in the main towns. While, the condition of many of these buildings is good, most have been modified (especially at the ground-level) for new shop fit outs and renovations. For many commercial premises, the remaining heritage fabric is often limited to the main street façade above the veranda. This finding is supported by the WCC heritage monitoring project. If these trends continue, Wellington Region will have few remaining heritage commercial buildings in the main urban areas that could be described as in an original state. In rural areas, there are a number of original commercial premises that remain and continue to operate. However, many of these buildings require ongoing repair and maintenance.
- Most heritage buildings in the public domain have high integrity and are in good condition. These buildings are also often open to the public for functions and meetings. Examples include Gear Homestead (Porirua) and Norbury House (Hutt). Both of these

²¹ New Zealand Historic Places Trust *Wellington Region SER Historic Heritage Technical Report*, 2005, p 56

dwellings were private residential dwellings that have been acquired by the respective local authorities for public use. Other public buildings of high integrity and good condition include Petone Settlers Museum (Hutt), Carterton Public Library (Carterton), St Mary's Catholic Church (Carterton); St Joseph's Church (Porirua), St Alban's Church (Porirua).

- In some cases, former buildings associated with the Government, hospital etc remain at risk as a result of restructuring and Government land reorganisation. Both the Mental Health Museum (Porirua) and the Wallaceville Animal Research Centre (Upper Hutt) are in this situation. Both buildings are Category I, are at risk, and are in poor condition. There has been recent progress to manage and repair the Mental Health Museum thanks to the hard work of museum volunteers. The situation of the Wallaceville Animal Research Centre is not so positive and the building has effectively been abandoned.
- As a general observation, a limited number of heritage buildings have been converted into museums (either general museums or house museums). Examples of museums within heritage buildings in the Wellington Region include Cobblestones (Greytown), Fell Museum (Featherston), Nairn Cottage (Wellington), Katherine Mansfield House (Wellington); Waikanae Museum (Kapiti) and Golder's Cottage (Upper Hutt).²²

13. Another important source of information about historic buildings (not specifically related to 'listed' buildings') in New Zealand is the third national House Condition Survey by the Building Research Association of New Zealand (BRANZ). This survey indicates that the condition of older houses is improving because of improvement works:

The first survey [1994] had indicated a general deterioration with increasing ages of houses, while the next survey [1999] should a slight improvement in the condition of older houses in the Auckland and Wellington regions. This survey [2005] shows further signs of improvement resulting from renovation, this time over all regions. The average condition of the oldest group of houses is now similar to that of houses more than 50 years younger.²³

14. The report goes on to explain:

As older houses have become more popular over the past decades (as illustrated by the increase in building valuations of this group), many have been repaired, modernised, and upgraded; in some cases to the extent that their condition becomes comparable to that of a much newer house (particularly in the interior components). These houses now more than counteract the effect of those houses that continue to deteriorate; the net result is that the average condition shows an upward movement.²⁴

15. On the basis of this information and that provided by the Australian State of the Environment project, it appears that listed buildings in New Zealand and Australia have higher rates of occupancy than in England and the substantial majority of listed buildings do not suffer from 'demolition by neglect' issues. I would suggest that this situation might also be influenced by

²² NZHPT, *Wellington Region SER Historic Heritage Technical Report*, 2005, pp 39-40

²³ BRANZ, *New Zealand 2005 House Condition Survey*, Study Report, No.142, 2005. See: http://www.branz.co.nz/main.php?page=BRANZ_Ltd_home

²⁴ *ibid*, p 17

regulation that promotes adaptive reuse changes, which aim to ensure continued occupancy.²⁵ This flexibility, which allows for adaptive reuse solutions and appropriate changes to heritage properties, means the property rights of owners are not overly restricted or compromised by listing regulation. In fact, most listing regimes ensure that decisions on approvals consider the affect of a permit refusal in terms of its impact on the reasonable or economic use of a place, or whether undue financial hardship would be caused to the owner.

²⁵ For a review of Australian heritage protection system from an 'English view', see *Context: Institute of Historic Building Conservation Journal*, Vol 87, November 2004

Appendix Four: New Zealand Tourism And Heritage Information

Consideration Of Heritage Under Colmar Brunton Survey Supporting NZ Tourism Strategy Agendas

The New Zealand Tourism Strategy (NZTS) 2010 was developed to guide the sustainable growth of the tourism sector over the next ten years.

Cultural tourism was specifically identified in the NZTS 2010 as a sector requiring further development in order to maximise its potential. To meet some key recommendations included in the NZTS 2010, research was undertaken in three phases in order to enhance the understanding of the role of cultural tourism in the tourism sector and domestic and international visitors' demand for cultural tourism experiences.

Tourism New Zealand, on behalf of an inter-government cultural working group, commissioned a three phase research programme to gain a better understanding of the current demand for cultural tourism products and to identify any gaps in supply that may exist.

Phase one involved a literature review of existing cultural tourism demand research. Phase two re-analysed existing data, extracting any information relevant to cultural tourism demand. The findings and the gaps in information were fed into phase three.

Colmar Brunton was commissioned to undertake phase three of the programme: qualitative and quantitative primary research.

This phase of the research programme consisted of both qualitative and quantitative research among domestic visitors, international visitors to New Zealand (referred to as 'actual international visitors' throughout this document) and potential international visitors (ie travellers who had travelled internationally but not to New Zealand).

The qualitative research consisted of six mini-groups, 28 immersion interviews, 60 'vox pops', three 'groups on the move' and five standard focus groups. The qualitative fieldwork was conducted in Northland, Auckland, Rotorua, Wellington, Christchurch, and Napier.

The quantitative research consisted of a telephone survey of 450 domestic visitors within New Zealand, 666 Internet interviews with actual international visitors (post-visit), and 1310 Internet interviews with potential visitors to New Zealand.

Bibliography

Title	Author	Date / Prepared For:	Comments / Web Location
Demand for Cultural Tourism	Colmar Brunton Rout, J. and Harland, B.	Tourism New Zealand 2003	Tourism New Zealand commissioned research programme to gain a better understanding of the demand for cultural tourism products and to identify any gaps in supply that may exist. Qualitative and quantitative primary research.
The Restoration Economy	Cunningham, S.	2002	www.restorationeconomy.com/
The Public Values Of Heritage	English Heritage Trust	2007	www.helm.org.uk/upload/pdf/Public-Value.pdf
Auckland City Heritage Policy Review - Incentives	Farrant, G.	Environment, Heritage & Urban Form Committee, September 2007	Review of incentives for managing heritage in Auckland City
We can't rely on white knights	Editorial	The Dominion Post 17 September 2007	Editorial on Our Lady of the Star of the Sea chapel in Seatoun.
Arts and Artists from an Economic Perspective	Greffe, X.	2003	Economica / UNESCO. 2-7278-4362-0.
Heritage listings and property valuations in Victoria	Heritage Victoria,	2001	http://www.heritage.vic.gov.au/heritage_listing_property_values.pdf
What do you think "inappropriate development" of Heritage means? A N.Z. response to threats to heritage character and city identity.	Miller, M. G. Senior Heritage Conservation Planner at the Christchurch City Council	ICOMOS Conference 2005	http://international.icomos.org/xian2005/papers/2-25.pdf
Briefing to the incoming Minister for Arts, Culture and Heritage		RT Hon Helen Clark October 2005	http://www.mch.govt.nz/publications/bim2005/arts.html
Benefits & Costs Of Historic Heritage Protection	McClellan, R.	Historic Places Trust of New Zealand / Pouhere Taonga August 2007	Evidence presented by Robert McClellan, Senior Heritage Policy Adviser to WCC District Plan Hearing Committee.
District Plan Monitoring Report – Effectiveness of Heritage Management	McEwan, Dr A. Architectural Historian at the University of Waikato & WCC Officers	2005	This project was initiated by staff involved in District Plan monitoring at Wellington City Council with the aim of monitoring the effectiveness of the built heritage rules.
The economics of heritage buildings : a contribution to the Historic Heritage Management Review	Nahkies, P. Brent	1998	Wellington: New Zealand Historic Places Trust Pouhere Taonga, Report designed to stimulate debate about the need for financial incentives for private owners. Edited by Gavin McLean with the assistance of Chris Ross
Whakatū Nelson Heritage Strategy	Nelson City Council	Nelson City Council November 2006	Heritage Strategy

Reference resource for co-operative community heritage. Identification, protection and management.	Opus International	Ministry for the Environment 2005	http://www.mfe.govt.nz/withyou/funding/smf/results/6152_reference_resource_document_january%202005.pdf
Incentives for heritage conservation : the role of local and regional government in New Zealand	Ross, Chris	Wellington: New Zealand Historic Places Trust : Pouhere Taonga, 1997	Survey of local and regional councils throughout NZ on means to encourage the conservation of heritage buildings and sites
The importance of downtown in the 21. st. century	Rykema, Donovan D.	Journal. of the American Planning Association 2003	Volume 69
Economics and Culture	Throsby, D.	2001	Cambridge University Press, New. York ISBN 0521586399
Determining the Value of Cultural Goods: How Much (or How Little) Does Contingent Valuation Tell Us?	Throsby, D.	Journal of Cultural Economics 2003	Springer, vol. 27(3)
Protecting Our Built Heritage	Wellington City Council	June 2005	Built Heritage Policy
Long Term Council Community Plan	Wellington City Council	2006 - 2016	http://www.wellington.govt.nz/plans/index.html
Rates Incentive Heritage Protection Scheme	Wheeler P.B.	August 2002	Report to Wellington City Council
Use of Rating Instruments to achieve heritage protection: An evaluation	Wheller P.B. and Vossler G.M.	May 2002	Report to Wellington City Council

The Dominion Post | Monday, 17 September 2007 **Editorial: We can't rely on white knights**

Yet again Wellington has reason to be grateful to film-maker Peter Jackson, writes The Dominion Post.

Mr Jackson and his partner Fran Walsh have bought the iconic, 83-year-old Our Lady of the Star of the Sea chapel in Seatoun to avert the risk of its being moved or demolished and the 1.35-hectare site on which it sits being turned into a residential development.

The gracious old chapel is a Seatoun landmark. Its removal would have robbed the seaside suburb of much of its charm. But Wellington should not have to rely upon the intervention of millionaire film-makers to preserve its historic buildings.

In this case, the council had made clear its intention to oppose the application by the Sisters of Mercy, the owners of the chapel, to have it removed from the council's list of heritage buildings. In the words of council planning director Ernst Zollner: "When you look up from Seatoun you see the chapel up there, its surroundings, the trees in front, that's all of what we're protecting."

But residents can be forgiven for thinking the council has been negligent in protecting Wellington's history in recent years. Too many old buildings have been destroyed or irretrievably damaged by developers, just as too many suburbs have been blighted by infill townhousing developments that pay no heed to the character of the neighbourhoods in which they have been built.

Mayor Kerry Prendergast and her council are well aware of the problem and are taking steps to give greater protection to old buildings, just as they acted in May to put stricter controls on infill housing. But a greater sense of urgency might have sped up a process that has dragged on for the best part of three years.

Developers and the owners of valuable sites have a valid point of view too. The city has to adapt to cater for modern ways of living and it is impractical to expect the owners of historic buildings to bear the full cost of preserving them in their original state.

In the case of the Seatoun chapel, the Sisters of Mercy were being expected to maintain a \$10 million property for the benefit of Seatoun and Wellington residents that was of no practical use to them.

Added to that, they were faced with a \$900,000 bill for earthquake-strengthening work if they wished to even use the building.

The owners of many other historic buildings also face expensive earthquake-strengthening bills but are being told they cannot realise the value of their sites by developing them to their maximum commercial potential.

That is in the interests of the wider city, which gets much of its character from Wellington's topography and its older buildings.

But it is time to give more serious consideration to the views of building owners, who argue that the council should recognise the public benefit that flows from their buildings as well as the private benefit that accrues to them.

The obvious way to do that is to reduce the rates on heritage buildings.

No council willingly gives up revenue but Wellington needs a robust framework that encourages the owners of heritage buildings to preserve and enhance them, rather than look for ways to get around the rules.

Mr Jackson has protected the Seatoun chapel but he cannot always be expected to come galloping to the rescue on a white charger.