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**REPORT 2**  
*(1215/52/IM)*

## **HERITAGE INVESTMENT**

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### **1. Purpose of Report**

This report presents a range of possible future options for increasing support to the owners of listed heritage buildings.

### **2. Executive Summary**

In October 2007 the Strategy & Policy Committee requested that Officers report by December on the feasibility of introducing a rates remission policy for listed heritage buildings, and doing away with resource consent fees for alterations to listed heritage buildings.

Analysis has shown that both options are feasible, but that there are also numerous other methods for supporting the owners of listed heritage buildings; some of these options may be more appropriate and cost effective. The paper recommends that all possible options be evaluated and considered as part of the preparation of the 2009/10 Long Term Council Community Plan (LTCCP).

### **3. Recommendations**

It is recommended that the Committee:

- 1. Receive the information.*
- 2. Agree that the identified options for increased support to the owners of listed heritage buildings be evaluated and considered in the preparation of the 2009/10 LTCCP.*
- 3. Agree that the waiving of resource consent fees for listed heritage buildings be evaluated and considered by the Funding and Activity Review Working Party for inclusion in the 2008/09 Draft Annual Plan.*
- 4. Note that officers are considering the establishment of a 'listed heritage building owner club' whose main purpose will be relationship building around information sharing.*

## 4. Background

Heritage management initiatives in Wellington have delivered a range of successes over the last 10 years addressing the fact that heritage buildings are a finite and non-replaceable resource.

Wellington City's \$250,000 per annum heritage grants fund and previous \$100,000 p.a. earthquake funds are credited as important contributors to successes achieved. District Plan provisions and associated educational and promotional activities around heritage have also significantly contributed.

Success has not however been universal in retaining and maintaining heritage buildings. Over the period 1998 to 2007 12 buildings were demolished or had their heritage qualities compromised.

Evaluation work from overseas and New Zealand indicates heritage buildings and precincts add economic value and support vitality and 'sense of place' in a range of ways.

However, the ownership of listed heritage buildings can entail additional financial costs that are not offset by the wider public benefit i.e. the public benefit is at times provided at the expense of the owner. The nature and extent of this financial burden has again been raised this year in the context of new earthquake strengthening standards and the ongoing listing of further heritage buildings in the District Plan (or the inclusion of buildings in a 'heritage area').

Acceptance of the public good delivered by built heritage has resulted in a variety of publicly funded initiatives in the United Kingdom, Australia and elsewhere. These range across a spectrum from advocacy (modest financial support which acknowledges owners who maintain but otherwise 'leave their heritage buildings alone') through to significant financial support mechanisms such as grants, tax or rating exemptions, consent fee waivers and / or loans.

Beyond the measurable economic benefits of heritage, there are clear cultural and social imperatives to ensuring appropriate heritage management. 'Historic heritage' is a matter of national importance under the Resource Management Act, as is its consideration in terms of the Local Government Act through the LTCCP process.

Other Councils are grappling with how best to support heritage building owners. Several have or are implementing or upgrading investment and support programmes to strengthen heritage management for their cities:

- Christchurch City Council operates a \$1 million per annum heritage fund.
- Auckland City Council is currently considering significantly increasing its heritage funding with options of a \$1.6 million per annum heritage fund proposed for its 2008 / 09 Annual Plan process.

- Australian jurisdictions (state and local) are investing in the order of \$5 million plus annually in Victoria and Queensland's major cities.

## **5. Discussion**

The analysis undertaken by Graham Spargo (a planning consultant) for Council finds that there is considerable scope for the Council to provide additional support for the owners of listed heritage buildings (see report attached as Appendix 1). A further conclusion of the report is that any additional support agreed to by the Council should ideally include a range of tools to address different aspects of heritage management (i.e. circumstances of 'change' and 'no change').

Tools enabling targeted support are currently available for circumstances where owners seek to change or upgrade a heritage building in some way (e.g. grants). Support is also desirable however to reward and acknowledge owners who do not pursue change to their heritage buildings. Means of achieving this will require Council taking a leadership approach within the New Zealand context. As a general principle, financial support should be targeted to achievement and maintenance of specific heritage outcomes (which in turn contribute to community 'prosperity' and 'quality of life' outcomes of the Wellington City LTCCP).

### **5.1 *What tools are available?***

Effectively there are two types of tools available, those that provide a financial incentive to owners, and those that are about promoting advantages of heritage ownership.

Local government funding legislation provides a legal basis and flexibility of choice in tools for the Council to do more around addressing heritage management - that is, beyond the current heritage grants funds provided via general rates.

The Local Government (Rating) Act 2002 provisions can feasibly be deployed to provide extended funding support for heritage management needs. Other Councils have implemented or are exploring the new rating policy setting and rating tools made available under the Act. Options are discussed in more detail in the report.

### **5.2 *Issues & Concerns over Heritage Support Funding***

In arriving at the above views consideration has been given to feedback from submitters to the Council's District Plan and LTCCP processes. Views have also been sought from Council officers, the Historic Places Trust, Ministry for the Environment, and advisors of other New Zealand councils.

Views of submitters to the District Plan Change 48 process have been considered. These range from highly supportive to opposed to doing more than the current status quo. The conclusion of the Spargo report is that a public

sector funding role is valid and that a broadening of support initiatives should occur.

The analysis highlights a fundamental question of whether, as a matter of first principles, funding should be sourced from central government rather than ratepayers. There is merit in this argument, and advocacy action to central government should be pursued. However current pressures on heritage assets need to be proactively addressed now. This means that the current primary reliance on local government rates funding will remain for the near to medium term.

In terms of specifics around the choice of tools for heritage support funding, discussions with Council officers highlight a set of particular concerns requiring careful Council consideration.

There are issues of principle around impacts on the Council's overall rating and funding policy stance. In particular the issue of 'who should pay' and 'who benefits' is a consideration in terms of defensibility of any proposed policy and allocation changes.

There are also concerns over potential precedent effects if rating tools are used for heritage outcomes. The issue here is that it may open the door on other 'public good' agendas with a risk of making the whole rating approach of Council more vulnerable in terms of challenges.

The Local Government (Rating) Act 2002 legislation specifically provides flexibility and gives license for any reasonable purpose defined by the council. However, the practice and relatively conservative nature of case law around rating powers in New Zealand means there are few heritage funding examples in operation. There is an opportunity for Wellington City Council to take a lead.

### **5.3 Resource Consent Fees**

It is proposed that resource consent fees be waived for listed heritage buildings – where the proposed additions and alterations support the heritage values. The consent will need to be supported by Council.

This would be seen as a strong mechanism for demonstrating recognition that the additional requirement of the heritage assessment process is for the 'public good'. There is a cost of applications fees foregone and the impact on the Development Guidance team's budgets.

It is recommended that the waiver be considered as part of the 2008/09 Draft Annual Plan. The impact will be in the order of \$35,000 per annum for accommodating resource consent fees reductions or waivers (assumes around 20 applications per year at an average of \$1000 each).

#### **5.4 Other Possible Initiatives for 2009/10 and onwards**

The attached report outlines a range of further options for consideration by the Council:

- **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**.
- **Heritage purchase and restoration fund**; 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.
- 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.

#### **5.4 Heritage club**

In addition to the above options, officers are currently considering the creation of a 'listed heritage building owner club'. The objective in this initiative is to promote a 'club' that owners of listed buildings and objects as well as other interested people could join. The purpose of the club would be to communicate and promote the benefits of owning heritage buildings and objects:

- To promote and celebrate Wellington's built heritage with the general public

- To change the negative perception that some private owners still have of heritage into a more positive understanding of the benefits involved
- To reward good preservation practices among private heritage owners
- To increase the number of built heritage structures listed in the Wellington District Plan
- To promote the availability of public funding through the Council's heritage grant's fund.
- To promote the range of ways that Wellington City Council works to support building owners in the upgrading, preservation and adaptive reuse of heritage structures, e.g. Built Heritage Fund, possible rates relief, waiving of resource consent fees.

The key messages of the club could be:

- Wellington City Council is keen to promote and preserve the city's built heritage
- The Council would like more heritage structures protected by listing on the District Plan
- The Heritage Club offers valuable benefits and incentives to belong
- The rewards of membership are financial and educational

The benefits of belonging could include:

### **Financial**

- Access to the heritage grant's fund, including updates on funding availability, criteria etc
- Discounts from companies that sell goods and services to private heritage owners, e.g. paint supplies, leadlighting specialists, roofers, building supplies, mouldings and finishings, builders, earthquake engineers etc
- Possible rates postponement
- Waiver of resource consent fees

### **Educational**

- A newsletter, delivered three times a year, some 6-8 weeks before each of the three funding rounds of the Built Heritage Incentive Fund (i.e., February, May and October). The newsletter would provide:
  - updates on Council heritage rules and assessment criteria
  - interviews with successful fund recipients and what they have done with the funds
  - tips, advice, do's and don'ts
  - pointers to websites
  - what other cities do, e.g. Christchurch, Melbourne.
- Invitations to twice-yearly lunch seminars targeted at interesting topics around heritage protection.
- Annual heritage awards to promote good heritage conservation projects
- Access to targeted, useful, published good practice guides in the form of brochures or pamphlets

## **6. Conclusion**

It is proposed to test the final amount of investment against all Council's funding and expense requirements. This work will be undertaken as part of the 2009/10 LTCCP considerations, the review of which is expected to start in February 2008, and will be presented back to Committee as a new initiative. The resource consent fee waiver, if supported, and Heritage Club can be instigated in the 2008-2009 financial year.

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## **Supporting Information**

**1) Strategic Fit / Strategic Outcome**

*The proposal supports Council's overall vision of Creative Wellington – Innovation Capital.*

**2) LTCCP/Annual Plan reference and long term financial impact**

*The proposal as outlined would have an impact on the LTCCP. It is proposed that the impact be considered as part of the 2009/10 LTCCP funding round.*

**3) Treaty of Waitangi considerations**

*N/A*

**4) Decision-Making**

*Example: This is not a significant decision. The report sets out an option that needs further consideration by officers as to impact on the council's wider financial implications.*

**5) Consultation**

**a) General Consultation**

*N/a*

**b) Consultation with Maori**

*N/A*

**6) Legal Implications**

*Legal implications*

**7) Consistency with existing policy**

*This report recommends measures which are consistent with existing WCC policy.*