The Choice for Heritage Conservation Has Both a Value and a Cost.

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Following is the keynote address given by Evan Davies at the BOMA Heritage Conference held on 12 May 1997 and reprinted with BOMA's consent.

I think we should begin with some clearer idea of what each of us means by that catch-all term - "heritage". The word is often automatically associated with a commitment to the preservation of the past - it is used as a kind of synonym for history.

But the things referred to as heritage are very much a part of our present and making sure that at least a fair measure of them remain around to be a part of our future seems the purpose of the exercise that we are discussing today.

Justification of why we should ensure "eternal life" for heritage buildings needs, I believe, a clearer and tougher measure or assessment of what constitutes heritage than simply that it is things left over from the past. They are left over and we want them to remain left over because they are intrinsically of value to us now and can become - given the demands of the times in which we live - of a measurable material value as well.

The Maori art historian, Sydney Mead, offered a cultural definition of the landscape, which, with a little bit of bold adaptation, might also suit the urban heritage we are talking about today.

He wrote: "A mountain is part of the landscape, it is a reference point, a known landmark to which is attached some cultural meaning. Thus Hikurangi, Tongariro, Ruapehu, Taranaki, Ngongotaha and Taupiri have special significance to members of the tribes for whom these names are immediately recognisable as symbols of their people. Together with other named features of the land - rivers, lakes, blocks of land, promontories, holes in the ground, fishing grounds, trees, burial places and islands - they form a cultural grid over the land which provides meaning, order and stability to human existence.

"Without the fixed grid of named features we would be total strangers on the land - lost souls with nowhere to attach ourselves."

Of course the dynamic of the urban grid is different to Mead's cultural landscape. It has elements of constant change and renewal; features are removed and new features added, but the notion of a fixed grid of meaning can easily be applied to the notion of urban heritage and to heritage buildings.

It is something each of us can identify with - attach ourselves to if you like - and which gives some sense of order and meaning to our existence in the city.

Like Mead's landscape features, urban heritage comprises things of significance to which meanings are attached. I don't necessarily mean by that great significance, or that the quality of the architecture is necessarily a measure of heritage value - although it sometimes is - but that heritage buildings are not determined by the association of some historical moment with a building that without that historical association has no value.

No better example could be found than the listing of the Gum Sarn building in Fanshaw Street for its wartime associations. It may be, I submit, a heritage site but it is not a heritage building. There is a difference. Not to acknowledge that difference runs the risk of giving the mechanisms of heritage protection a bad name. They are fragile enough as it is.

We should not forget or obliterate the associations of that site of course, but there are equally effective ways other than preserving the building. Gum Sarn raises starkly the issues of value versus cost.

Preserved heritage buildings will remain under constant threat where that question of value is not clearly defined. The significant number of heritage buildings that have been demolished in haste, before the question of their value was established, clearly demonstrates the problem.

Classic among these was the Salvation Army Citadel.

A productive use over the period between demolition and redevelopment of that site might well have established a value for the building beyond the notional development that encouraged Auckland City's property committee to bulldoze it.

Plainly there ought to be some better method to assess the options available when structures which are clearly a part of the heritage grid are threatened by development.

There is, however, no more a case for development at any loss of value than there is for heritage at any cost.

Of course the role of conservation in the overall development spectrum has become increasingly significant as the pace of change and 'progress' in the built environment has continued to gather.

The balancing of public benefit and private cost by various compensatory mechanisms has assisted in establishing conservation as an economically viable development choice, assisted in creation of value in heritage.

Ultimately however it must be recognition and acceptance by both community and entrepreneur of the profitable opportunity inherent in well conceived and executed conservation projects that will ensure the future of heritage structures.

The Concise Oxford dictionary offers the following definitions:

"Conservation n. preservation, esp. of natural environment ....; area (containing noteworthy buildings, etc. and especially protected against undesirable changes)

Develop(ment) construct buildings,

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etc on (land), convert (land) to new use, as to realise its potentialities..."

'Convert to new use', so as to realise its potentialities, is a definition of devel-op(ment) that provides useful direction to the proper role of conservation (and adaptation) within development.

To discuss the economics of conservation versus development as a matter at issue within a broader consideration of the 'adaptation of heritage buildings' is to display, through the implied mutual exclusivity of the two concepts, an approach that will cause bias and confusion.

I consider that 'conservation' should be approached as an integral, although often controversial, option within the total development spectrum. It must also be presumed that 'restoration' is a means to the achievement of a wider purpose and is not the purpose itself. In broad terms, restoration (or conservation) of elements of the built environment is principally motivated either by concerns of public benefit or of economic gain, whether public sector or private.

It is possible, and ideally would always be so, that conservation produces a public benefit and is also economically the most advantageous decision.

The public benefit from the restoration of structures may result from a variety of factors:

- the preservation of diversity in architectural styles;
- the maintenance of variety in cultural and historical associations;
- conservation of the traditional character and scale of urban areas;
- maintenance of sociological associations (with periods and events in a community history) that are inherent in elements of the built environment.

In some of these purpose there is a measurable public economic issue. Does the benefit as perceived in economic terms justify the public expenditure required?

Usually, however, the costs of a community commitment to conservation must be judged in a subjective manner against the perceived 'value' in the restoration project.

On occasion the private sector will also be sufficiently motivated by objectives of corporate or personal satisfaction or 'good citizenship' to justify a conservation project not otherwise supportable on economic grounds.

The relevance or at least accuracy of any assessment of the economic element of a commitment to conservation is largely dependent on the nature of the structure under consideration.

The most reliable form of economic analysis of decision-making with respect to built structures at least for the private sector is an option-based feasibility methodology. That is, the costs of, and returns produced by, a number of alternative scenarios are determined and compared, relative risks are analysed and, in general, the option providing the highest relative return at the lowest cost and risk is chosen.

This technique is plainly applicable and useful where the structure under consideration is an income-producing asset located on a site with conceivable alternative value. In many instances of built-structure restoration this will not be the case. In New Zealand for example, much time and effort has gone into conserving a number of the earthworks constructed by the Maori on the Central Volcanic Plateau during the 19th Century wars. These projects have no measurable economic value, no monies are charged for entry. The land has no alternative use (several of the sites are located adjoining national parks). The sites are however an important part of New Zealand history and therein lies the social (and economic) justification - the contribution, albeit not in an urban environment, to Mead's cultural grid.

In these circumstances, conservation is not an alternative within the broad development spectrum. Rather it is the positive choice in a simple either/or option.

Circumstances in which the only decision necessary is as to whether the expenditure required to undertake restoration is justified by the resultant community benefit are not addressed by this discussion because the economic issues involved relate more to available community resource and to public attitude than to an assessment of the economics of the alternative options. Rather, the emphasis is on occasions in which there are alternatives beyond restoration or disinterest. These may involve redevelopment of the existing structure for alternative use or, more often, demolition and replacement by new building.

Such circumstances may equally be public or private sector and, if we are to consider the economics of conservation in the development spectrum, discounting the circumstance in which zero return is available, there is no need to distinguish between public and private in the analysis. Indeed it must be said that in approach to conservation, despite much rhetoric, the public sector has proven to be as culpable as private enterprise. All too often it is the greater community, or at least their elected representatives, who are responsible for the ill-considered destruction of worthy historic buildings.

Any property owner considering the future of his asset must assess the full range of possibilities. Where the property contains a building or structure of some historic or heritage significance, conservation is one option in the development spectrum.

The potential alternatives range from a 'conserve as is' option at one extreme to a 'demolish and redevelop for alternative use' at the other.

In many modern economies an atti-

tude of: "If it's 'old' it's no good so let's knock it down and replace it" has been prevalent for much of the latter part of the 20th Century. This has certainly been so in Australia and New Zealand whose societies may be characterised as pursuing the 'burn and build' philosophy established during the European colonisation of the 19th century. The result has been an almost automatic choice of demolition and redevelopment that has not necessarily been based on a rational assessment of all alternatives.

Analysis of the economic issues involved in any decision making on development of a site occupied by a heritage structure may lead to the conclusion that conservation is the most attractive alternative.

The four areas of input required to any optioned feasibility are:

1. Statutory regulation;
2. Demand;
3. Cost;
4. Realisable value.

Regulation of land development in Australia and New Zealand is controlled by the community either through restrictive statute or by mechanisms intended to encourage particular decisions. Planning is in general a negative discipline. It attempts to control, or at least to influence, the development of the human environment by determining what can not be done. These restrictions are generally presented in a positive manner but nevertheless the effect is preventative rather than positive. Thus in any community in which building is governed by a formal planning code the first development consideration is as to what is permitted as of right.

Developers, in analysing a matrix of variables, prefer certainty. This may not be in a narrow range of simplistic options, it can also include a complex system where concessions by the developer in one area are rewarded by incentives in another. But always certainty is important.

In instances where the scale or type of development undertaken in the past is larger or of a different type to that now thought appropriate, the choice of conservation as the favoured option may result from the economic advantage inherent in the existing development.

This will seldom be due to the height of the existing buildings (which have tended to increase with time) or to the use accommodated (uses accommodated by historic precedent outside the areas subsequently determined to be most appropriate do not generally attract a premium) but will often result from changing theory as to the most acceptable form and intensity of development.

Modern planning systems have tended to control the density of commercial development by a limitation on the maximum permitted ratio between built floor space and site area. The intensity of development and consequential considerations of light and air around buildings were of lesser concern in the past, and as a result there are many circumstances in which historic commercial buildings could not be rebuilt under todays more restrictive bulk and location controls and floor space/site area ratios.

It is also common, however, for a historic building to be smaller in gross

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4 PARTS ACTION

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floor area and less efficient in terms of provision of internal space, than its potential modern replacement. Where the community in question recognises a public benefit in encouraging historic building conservation there are various means of providing some compensation for the perceived private cost involved in retaining the historic structure and providing the resultant public benefit.

Such mechanisms, which are designed to encourage conservation, should be distinguished from attempts to prevent redevelopment which, in isolation, do not assist in ensuring conservation but may result in a deteriorating and devalued stock of historic structures.

Publicly provided compensations are usually some form of tax break and vary from allowance of income tax relief, to land specific tax relief or, as an alternative to allowance of the ability to undertake additional development on an alternative site beyond that which would otherwise be permitted.

Other potential forms of compensation include:

- exemption from other regulations - such as seismic requirements;
- higher depreciation allowances;
- rates relief;
- cash grants for restoration work

The second significant input area to an economic assessment of development alternatives is demand. Any development undertaken must be justified by a demand for the end product and the level of that demand, both quantitative and qualitative, will have an effect on the option assessment. There are a number of demand-related problems inherent in the conservation and adaptation of historic structures. Space users are demanding ever-increasing standards of service: air-conditioning, access, communication services and security. It can be difficult to provide these utilities to a modern standard within the original building fabric - the provision of modern air-conditioning systems can be particularly disruptive. This notwithstanding required services can often be successfully incorporated.

Further, there is a growing recognition in the commercial community of the often very special qualities of historic space. There are categories of users which actively seek restored historic space as a commercial working environment - specialist office, retail and food/entertainment-oriented use are good examples (less often manufacturing). These uses are prepared to pay a premium for a characterful historic building.

It is important that in testing the option feasibility analysis, due cognisance is given to this position and to the relative resilience of this area of demand in a difficult market.

Turning to the third area of input:, cost: it is a truism that restoration of the old costs more than building the new. Of course the total expenditure involved in restoration may be less than that required for new work due to the value remaining in the 'restoration stock' or starting point, but the marginal cost will be higher.

This may be due to the requirement to use traditional building techniques that are less efficient in time or material usage than the currently prevailing methodology or it may be due to the unpredictability of working with a structure that is existing but largely unknown which can lead to difficulty in planning for seismic requirements and incorporation of services. Experience is the only guideline against which the costs involved in restoration can accurately be assessed and dealt with. Too often the cost structure is incorrectly assessed at the outset and control is consequently lost during the development process.

The fourth input area is realisable value. In this sector the conservation option appears less favoured than redevelopment. Potential investors tend to be concerned about the ongoing maintenance costs inherent in any historic building, however proficiently restored.

How then do these various concerns of private cost - public benefit and complex input criteria impact on real life development decision-making?

Let me describe several examples which I have been involved in.

In mid 1987 I was looking for small-scale development opportunities in central Wellington to balance and complement a multi-million dollar commercial project then commencing (which itself involved the restoration of an historic building and incorporation of an historic facade into a new building).

New Zealand was already suffering from the effects of an overheated commercial property market and caution was required and justified. In particular, an over supply of medium quality central-fringe office space was projected. A property was located on the fringe of the central area, occupied by a Neo-Georgian, two-storey cavity-brick townhouse designed as a doctor's residence and surgery by a prominent New Zealand architect in 1913. The building had been classified as a seismic risk in earthquake prone Wellington - the floors enjoyed a rather casual relationship with the supporting walls - and was in very average order. The building had an area of 400 m^2 as against a total permitted development floor area on the site of 1800 m^2.

Those unrealised development rights could be transferred to another site if the building was strengthened and restored.

The house was bought and a design developed which incorporated non-disruptive strengthening by the use of plywood diaphragms within the walls and steel-tie rods connecting floors and walls. Provision was made of a third level by converting the hidden valley between the original double pitched mansard roof into floor space, with light provided by dormer window protruding from the original roof line. The success of the modifications is demonstrable:

1. They increased the rentable area thus enabling the project to work economically;
2. Subsequent to project completion the building was upgraded by the Historic Places Trust from a 'C' classification to a 'B' joining those buildings which 'merit permanent preservation because of their very great historical significance or architectural quality'.

The project feasibility study allowed for a total restoration budget excluding original purchase and finance of $596,000. The final cost was $605,000.

The Wellington leasing market, on completion in 1988, was extremely difficult, with a vacancy rate in fringe commercial areas of over 15%. However three offers to lease were received in the

week the building was completed and the building was leased to an international advertising group.

In addition 2000m^2 of transferable development right were created - 550m^2 were sold to another development and the remainder retained as a 'building bank'.

A somewhat less straight-forward project in central Auckland resulted in the restoration of the Old Auckland Synagogue as a bank premises. The Synagogue had not been occupied since the late 1960s when the Jewish Congregation vacated the site and built a new Synagogue on land exchanged with the Auckland City Council for the Old Synagogue. The structure, built of unreinforced mass concrete with a plaster finish, was completed in 1885. By the late 1980s after 20 years of neglect and the removal of lead flashings; the roof was leaking badly, ferns, mosses and fungi were rampant on the interior walls, and the magnificent vaulted timber panelled ceiling, with painted stencil patterns, and the intricate plaster work were threatened with imminent destruction.

It was determined that the restoration of the existing structure could not be economically viable in itself but that if an appropriate use could be identified for the existing internal spaces, the available return could be increased by an extension to the existing building and the granting of consent to construct an otherwise not permitted development on an adjoining part of the site.

At first the Council, influenced by the desire for a use to which the public could have access, favoured the redevelopment of the interior of the large single space with a four-storey small hotel. In retrospect it is fortunate that project did not stack up, either technically or financially. We then purchased the perpetual lease with the Council negotiated by the hotel company. A bank was then identified as the least disruptive use.

The Auckland City Council granted planning consent and stage one - the restoration of the building and a conversion into a bank - was completed in mid 1989.

The initial feasibility study allowance for this 'launch into the unknown' restoration was $1,984,000 (again excluding purchase and finance). The final cost was $1,958,837.

All works were carried out in accordance with a comprehensive conservation plan prepared by a specialist conservation architect. Despite the extensive and potentially intrusive nature of the structural and services work required, neither the satisfaction of the requirements of the seismic code nor the introduction of commercial standard lighting, air-conditioning and sprinkler services resulted in compromise of the special ceiling, column, wall and other architectural features of the building.

The economic success of the project is evidenced by a satisfactory rental income, its social and cultural success by its being awarded the inaugural Preservation Award for Property Developers by the Historic Places Trust and its design success by a National Design Award from the New Zealand Institute of Architects

A different type of heritage conservation project, although sharing the religious connections of the Synagogue project, is the almost completed external refurbishment of St Matthew-in-the-City. You might think that because St Matthew was built as a church, and very much remains a vibrant church community today, its conservation falls outside the "adaptation for commercial use" orientation of this discussion. However the challenges of the conservation project make the experience extremely relevant.

In facing up to the reality of the combination of a diminished congregation with reduced economic power and a rapidly deteriorating church building, Peter Beck, the minister of St Matthew, had to address conservation as a commercial project. He too had to consider the range of options and approaches available and choose the most viable. This required compromise and it required perseverance.

Compromise was required in assessing the opportunities to establish a long-term income base from the existing assets. With limited capital resources construction of a carpark on the previously vacant land adjoining the church appeared the most advantageous alternative. With the carpark commercially tenanted, the church is assured of an ongoing income that will both provide for its activities and also assist with maintenance of the buildings. Whilst the combination of what is one of New Zealand's finest stone churches and what is one of Auckland's less attractive carparks may seem ironic, the end consequence is increased assurance of viability for the church building itself.

On occasion, the private sector will also be sufficiently motivated by objectives of corporate or personal satisfaction or 'good citizenship' to justify a conservation project not otherwise supportable on economic grounds.

Perseverance was required in convincing the City's commercial community that a contribution to the conservation of St Matthew was a worthwhile use for either their money or their resources or both. The reluctance of major enterprises in Auckland to support such an unquestionably worthwhile project has been a major disappointment to me. Here is an instance where a valuable element in the urban heritage grid, which does not fall into the public ownership sector, is nevertheless not supported by the private sector. In such instances, where conservation and retention has a public benefit that goes beyond ownership, a mechanism for public financial support

needs to be developed.

Turning further from a direct assessment of the opportunity to adapt heritage buildings for commercial use my concentration in recent years has been on building and more recently operating the Sky City complex. When we first acquired the Sky City site from the Auckland City Council, I gave careful consideration to the existing building stock on the site. Some of you may recall the Schroff buildings that previously fronted Victoria Street. Should we have attempted, as part of the development, to re-use, to adapt those buildings and the warehouses behind them, for the ultimately modern entertainment that is Sky City? Clearly, at least in my mind, the answer is no.

There are circumstances, and the Sky City example is admittedly an extreme one, in which re-use or adaptation is not a viable alternative. The combination of the intensity and nature of the uses proposed made the existing structures inevitably obsolete. This of course is one of the difficulties in any adaptation scenario - all too often the use to which a site is to be put is determined by external criteria and the heritage structure simply cannot practically be adapted.

As a consequence, assessment of the economic implications of the conservation of built structures is complex. In addition the process is often clouded by the sometimes vociferous conflicts between public and private interests.

The essence of the matter, however, is not to approach conservation as an alternative to development - it is not a matter of one or the other. Conservation is one alternative within the broad development spectrum.

The risks inherent in the choice are substantial - the cost of the unknown and the opportunity to build anew lost - but the economic rewards in an imaginatively conceived conservation project carried out with commitment and skill can be substantial.

Those who are committed to conservation cannot afford to ignore reality. Unless justified and financially supported by an enlightened and benevolent greater community good, conservation will not become the preferred choice unless it can be demonstrated to be the most profitable alternative.

Some preservation and conservation work needs to be undertaken by government or the community in the public interest for the common good. However the bulk of conservation work in the future is likely to be undertaken by entrepreneurs who can see that historic structures, property rehabilitated, can be very profitable.

Earlier I mentioned the evolutionary dynamic of the heritage grid we lay over our cities; the changing nature of its landmarks. Those of us involved in development are also adding to the heritage and I wonder how much thought we give to that.

Are we, for example, being good neighbours when we build? How much do we care for the passerby? When we are clearly establishing a landmark building, how good a landmark do we build?

It would be unfair of me to conclude today without a reference to the landmark of which I currently have day to day care - Sky Tower.

Having spoken earlier about the impossibility of adaptation of the existing structures on the Sky City site I must say that in my view the development that has replaced them - Sky City overall, but in particular the Sky Tower - has made and will continue to make its own contribution to the urban grid, the urban built heritage, of Auckland.

Towers raise such passion. Ours is no exception.

I am happy to note though, that the passions raised by ours are both positive and negative. In my opinion there can be no more unsatisfactory response to any building than apathy or boredom. So long as a building generates a response in the observer or user and so long as at least a significant proportion of that response (and preferably of course a majority) is positive, the building is contributing to the series of urban landmarks that I spoke of earlier.

The Sky Tower is going to be a feature of the Auckland grid for a very long time and the community's attitude to it will no doubt change over that time.

Already the position of the tower in the Auckland landscape is emphasised by its reference in real estate advertising - it can evidently be both positive and negative that a view is enjoyed of the tower - and by its utilisation as a navigational beacon when returning from Great Barrier Island.

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The community's attitude may even evolve in much the same way as that of another great city's community to its tower - admittedly a few metres shorter than Sky Tower. A few weeks ago, a columnist in *The New Zealand Herald* made an unfavourable comparison between the two.

When this other tower was being built it was reviled as crude and monstrous, a blot on the city. It was scheduled for demolition less than 20 years after its opening, but was only saved by the usefulness of its wireless aerials.

A petition signed by 300 leading citizens, prominent among them Emile Zola, Guy De Mauppasant and Alexander Dumas, wanted it removed. But a century and a bit after it was built, the Eiffel Tower still stands as one of the most powerful symbols of Paris, an integral part of the urban grid of the city and a dominant feature of its urban heritage. ●