3.5. Plot ratios or site intensity zonings

A plot ratio is the measure of the total floor area of a building that is able to be constructed on any given site. Higher plot ratios will encourage larger and taller buildings. Most cities have the highest plot ratios in the CBD with lower plot ratios in suburban and industrial zones. Generally, higher plot ratios on heritage properties have the potential to promote more intensive development and adversely affect heritage values.

The Wellington City District Scheme in 1983 contained an additional floor space incentive which allowed owners to construct extra floor levels over the permitted height levels on the same site as a listed heritage item.[20] This incentive was strongly criticised by community groups in allowing the Kirkaldies development on Lambton Quay which involved a large tower built over a preserved façade. With the introduction of the Wellington City District Plan under the RMA in the mid-1990s, the additional floor space incentive was removed.

The Auckland City Central Area District Plan contains the most detailed plot ratio zonings in New Zealand. These site intensity zonings are provided for in Planning Overlay Map 5. The zonings show Basic Floor Area Ratio (BFAR) and Maximum Total Floor Area Ratio (MTFAR). The BFAR is the gross floor area allowed as a permitted activity. The total floor area allowed, plus the accumulation of any bonus floor area, cannot exceed the MTFAR.

The Auckland City Central Area is divided into 11 different site intensity zones which make up the precincts and quarters. As an example, the Karangahape Road Precinct has a site intensity ratio of BFAR 4:1 and MTFAR 6:1. The highest site intensity zone is the high-rise area to the west of Queen Street which has an BFAR 6:1 and MTFAR 13:1.

There are specific site intensity zones for some heritage precincts in the Auckland City Central Area. The Britomart Precinct has its own site intensity map in the appendix of Part 14.6 with two basic site intensity zones, Areas 1 and 2. Within Area 1, the MTFAR are the same or similar to the maximum provided for the western side of Queen Street (BFAR 6:1 and MTFAR 13:1/11:1).

This measure is designed to "encourage tower height in exchange for reduced building bulk. This is a form of development which would not be compatible with the relatively low scale form of development proposed in Precinct Area 2."[21] Within most of Area 2 of the Precinct, the floor area ratio is limited to the gross floor area within the existing scheduled heritage buildings. It is commented in the district plan that the average total floor area ratio of approximately 6:1 within Precinct Area 2 "has been set in order to retain the Precinct's strong heritage character and the sense of intimacy imparted by the heritage buildings."[22] Further, the absence of MTFAR for the existing heritage buildings enables "some flexibility for internal alterations within the inherent constraints of each heritage building."[23]

20 Robert McClean 'Regulation and Incentives for Historic Heritage, Theoretical and Legislative Overview, Historic Heritage Research Paper No.6 (draft working paper), NZHPT, 22 February 2010.

21 Rule 14.6.7.2, Part 14.6 Britomart Precinct, Auckland City Central Area Plan.

22 Ibid.

23 Ibid.

The site intensity zonings of Auckland City Central Area District Plan are the foundation for the bonus floor area regime which is a form of TDR described below.

In July 2010, the Auckland Council notified Plan Modification No. 42 to the Central Area section of the District Plan. This plan change made some significant changes to the bonus floor area system of Auckland City. In particular, the plan reduced the number of bonus features and increases the bonus floor area provided for heritage floor space. The bonus floor area system is currently under review as part of the preparation of the new Auckland Unitary Plan.

The Christchurch City Plan included potential scope for a heritage floor space bonus by providing for the floor area of any retained heritage buildings to be excluded from the permitted plot ratio for the site up to a stated maximum for developments in certain zones.[24]

Evaluation of the efficiency and effectiveness of plot ratios/site intensity zoning

Costs	The costs of specified permitted use provisions to owners include the The costs to owners and developers of compliance with site intensity zoning requirements and forgone development opportunities. The cost of site intensity zoning to the community involves the implementation and management of the site intensity zoning regime and any development opportunities that are restricted by the regime.
Benefits	The benefits of site intensity zoning are certainty to the owner about the scope and potential for development on a particular site. The benefits of site intensity zoning to the community which reduce the potential demand for adverse development of a heritage property and provide greater certainty over the form of urban development.
Transparency and clarity	Site intensity zoning can involve complex formulae that may make it difficult for the general public to understand and comprehend the intention behind the zoning.
Manageability	Site intensity zoning requires intensive territorial authority management systems.
Legitimacy	Site intensity zoning generally enjoys political support if there is a strong rationale for the regulation.

24 Christchurch City Plan, Vol 3, Part 3 Business Zone, 7.1.6.

Evaluation of the efficiency and effectiveness of plot ratios/site intensity zoning	
Comment	The full environmental effects associated with site intensity zoning requires consideration. Site intensity zones are generally designed to manage demand for inner-city commercial development. The incentive may not be effective in areas of low development demand. It is important that site intensity zones do not encourage the loss of significant interior heritage fabric by the maximisation of floor area ratios within heritage buildings. Site intensity restrictions should be accompanied by bonus floor area incentives for heritage buildings.

3.6. Bonus floor area TDR

3.6.1 Former Auckland City bonus floor area TDR

Site intensity regulation can be accompanied by bonus floor area ratios as a TDR. The Auckland City Central Area District Plan is the only district plan in New Zealand that maintains an active TDR system with regard to bonus floor area provisions. Bonus floor areas are available where a development incorporates a number of 'public good' features.

The former Auckland City Council introduced TDR as a variation to its Third Review of the District Scheme in December 1987 under the Town and Country Planning Act 1977. The scheme was continued under the RMA 1991 and the Auckland City Central Area District Plan included a range of bonus floor area provisions involving public good features: accommodation, pre-school facilities, rest rooms, cycle parking, amenities, plaza, landscaping, works of art, heritage floor space and pedestrian facilities. The scheme was revamped by Plan Modification No.42 in 2010. This plan change amalgamated some activities and removed landscape and amenity areas from the bonus floor area provisions.

Obtaining a heritage floor space bonus is a restricted discretionary activity and the use or transfer of a heritage floor space bonus is a restricted controlled activity. Prior to Plan Modification No.42, heritage floor space bonus was a restricted controlled activity.

The bonus floor area is available in locations set out in Planning Overlay Map 5 of the district plan comprising most of the core CBD of Auckland City. The heritage floor space bonus may be granted by Council in relation to buildings of heritage value listed in Appendix 1, Schedule D of Part 6 – Development Controls of the district plan. This schedule comprises most of the core CBD heritage buildings listed in the plan that are in private ownership. The list is mostly comprised of commercial buildings, but includes some apartments, former public buildings and churches. The heritage floor space bonus is designed for two primary matters:

- Compensation for the loss of development potential that arises as a consequence of the building being scheduled for heritage purposes.

- Compensation for the cost of conservation.[25]

The sum of the bonus is calculated by a formula that includes:

a. Area of heritage floorplate.
b. Development potential multiplier.
c. Gross floor area of the scheduled building.
d. Heritage schedule point ranking.

The 'development potential multiplier' is an estimated average development potential based on the relevant development controls applicable to the area within which the heritage building is located. This multiplier and the point ranking is listed for each scheduled building in Appendix 1, Schedule D of Part 6. Essentially, schedule point ranking reflects the significance of the building. Greater heritage floor space bonuses are potentially available for the more significant buildings with higher development potential multipliers.

If consent is granted by Council, the calculated amount of heritage floor space bonus may be 'sold' by private agreement from a donor site to a recipient site(s) or used within the site of a scheduled building. The transfer of this bonus is a restricted controlled activity. Council usually require a conservation plan to be prepared for the donor heritage building. If the building is already subject to an approved conservation plan, the gross floor area of the heritage building is excluded from the floor area ratio calculations. Council maintains a register of heritage bonus floor space which includes:

- The address and legal description of the donor site.
- The address and legal description of the recipient site(s).
- The area of heritage floor plate on which the scheduled building is situated and the amount of heritage floor space obtained from the floor plate.
- The amount of bonus floor space transferred to the recipient site(s) or used within the site of scheduled building, the date of the transfer or use, and the residual floor area remaining after the transfer or use.[26]

Since the introduction of the heritage floor space bonus provisions, there have been 18 granted applications (see Appendix 7). The bonus properties have included the Bluestone Store, Eden Hall, Civic Theatre, Town Hall, St Andrew's Church, St Paul's Church and St Mathews in the City. Council-owned buildings had a prominent role in the early development of the scheme, and by 2004 over 50 percent of the heritage floor space bonuses were owned by Council.[27] As an example, Council held potentially 105,000 m² in the ownership of former Chief Post Office building. This building became the primary focus of the Britomart Project and some 31,882 m² of the bonus was sold for development. The transaction was criticised in the media over a number of years for lack of transparency and

25 Rule 6.7.2.5, Auckland City Central Area Plan.
26 Ibid.
27 'Transferable Development Rights', Report to the Finance and Corporate Business Committee, Auckland City Council, 10 September 2004.

for allowing development in excess of the standard building rules.[28] As a result, during the review of the Central Area District Plan, the rule was changed so that Council could no longer obtain heritage floor space bonus from its own properties.

Since the early 1990s, the demand for heritage floor space bonus has declined. A key issue is that the heritage floor space bonus is just one of a number of other bonus elements in the district plan. This means that the heritage floor space bonus must compete with other bonus elements such as accommodation, plaza and works of art. Plan Modification No.42 sought to address this issue by removing landscape and amenity works from the scheme.

In addition, the demand for heritage floor space bonus is dependent on consent applications for new development. Consequently, the price of the heritage floor space bonus has dropped from a range of $230-$350 m² to approximately $50 m² (2004).[29] As an example, in November 2001, St Matthews in the City was granted resource consent to restore the church and received a heritage floor space bonus of 28,229 m². A bonus of 310 m² was transferred to the Auckland Drape Company Ltd site for an 11-apartment floor tower. The heritage floor space bonus was sold for $107/m² plus GST. St Matthew's have retained a bonus of 27,919 m².[30] By 2004, the church had sold a further lot of bonuses for $60/m² for the PriceWaterhouseCoopers Building on Quay Street. However, it was noted at the time that the building could have been permitted using the Light & Outlook bonus and the BFAR, without the need for the additional heritage floor space bonus from St Mathews in the City.[31]

George Farrant provides a summary of the advantages and disadvantages of TDRs associated with the Auckland City bonus floor area scheme:

Advantages:

- Operates as an effective counter to the very real constraints of robust protection of small-scale heritage in a high-density area.
- Compensates effectively for the acceptance of strong heritage controls, such as 'prohibited activity' status for demolition of 'Category A' (highly-ranked) heritage properties in Auckland's CBD.
- Is a low-cost incentive solution.
- Is normally an effective advocacy mechanism and a shield against claims of inequitable loss to an owner.
- May be applicable to donor sites in larger local centres as well as central high-density areas.

28 Ibid; NZ First Media Release, 17 March 2005, www.nzfirst.org.nz

29 'Transferable Development Rights', Report to the Finance and Corporate Business Committee, Auckland City Council, 10 September 2004.

30 *The Bob Dey Property Report*, 7 November 2001, www.bdcentral.co.nz

31 'Transferable Development Rights', Report to the Finance and Corporate Business Committee, Auckland City Council, 10 September 2004. A further example involved two terrace houses on Airedale Street and the Bluestone Store in Durham Lane. These were awarded heritage floor space bonuses of 853 and 3,035 m² respectively. Part of this bonus (2,127 m²) was sold to the owners of the Durham Street West Parking Building in 2001. Most of this bonus was later transferred to another recipient site on Turner Street. The Bob Dey Property Report, 17 October 2001, www.bdcentral.co.nz

- May be usefully applicable to non-built heritage sites, such as ecological or archaeological.

Disadvantages:

- TDRs are a commodity, and therefore their market value fluctuates, particularly if supply exceeds demand (or when uptake demand is low, such as at present).
- Consideration needs to be given as to whether TDRs are contingent on a development proposal which offers conservation/restoration, or are able to be claimed in the absence of any development proposal.
- TDR value will be depressed if other bonuses exist that deliver developer's requirements for floor space, without the need to purchase TDRs.
- Large heritage sites in public ownership can easily flood the TDR market and depress value and effectiveness.
- Care needs to be exercised in having recipient sites beyond central areas due to public sensitivity about suburban intensification.
- Can be difficult to monitor if a free-market TDR situation reigns, so issues arise about closer local authority control of the commodity, such as the authority possibly acting as 'banker', controlling prices, and maintaining market stability.[32]

George Farrant also notes that the "transferred floor space must only be donated to a site that has the capacity to accept the extra area without breaking any other non-negotiable district plan rules, e.g. sunlight preservation height limits or view shaft protection."[33]

> The Auckland City bonus floor area TDR system is currently under review as part of the preparation of the new Auckland Unitary Plan.

As outlined in the associated research paper,[34] TDR schemes have been attempted by other urban areas in New Zealand with limited success. In Australia, the most well-known TDR scheme is the City of Sydney which has a heritage floor space credit scheme. For this incentive, a credit is awarded following the completion of conservation work on a heritage property. Once the works have been completed to the Council's satisfaction, the floor space can be sold/exchanged to enable additional floor space to be built in a new development.

32 George Farrant, 'Incentives – The Auckland Experience' Presentation for the National Workshop Heritage Incentives, Auckland, 10 August 2009.

33 Ibid.

34 Robert McClean 'Regulation and Incentives for Historic Heritage, Theoretical and Legislative Overview, Historic Heritage Research Paper No.6 (draft working paper), NZHPT, 22 February 2010.

Evaluation of the efficiency and effectiveness of bonus floor area TDR

Costs	The costs to owners and developers includes compliance with site intensity zoning requirements, conservation of historic properties, including preparation of a conservation plan and the TDR process. The cost of a bonus floor area TDR to the community includes the management of the TDR scheme and potential effects of excessive site intensity developments on recipient sites. The public may express concerns about recipient sites beyond the CBD in relation to suburban intensification.
Benefits	The benefits of a bonus floor area TDR to the owner is the potential for an incentive to be obtained by the transfer of the bonus. It assists in the protection of small-scale heritage buildings in high-density areas. The benefit of bonus floor area TDR to the community is the conservation of historic properties in the inner city. As the TDR does not involve a grant or other payment, it is a low-cost incentive option.
Transparency and clarity	Bonus floor area TDRs can involve complex formulae that may make it difficult for the general public to understand and comprehend the intention behind the scheme.
Manageability	Bonus floor area TDRs requires intensive territorial authority management and monitoring systems.
Legitimacy	Bonus floor area TDR may lack political support if there is public opposition to bonus-related development on recipient sites.

Evaluation of the efficiency and effectiveness of bonus floor area TDR

Comment	The full environmental compensation implications of a proposed bonus floor area TDR require consideration, including the cumulative effects on the environment. A total conservation benefit assessment is required to evaluate the overall benefit to the city with regard to restoration of the individual heritage building and the effect on the streetscape or townscape in terms of urban design. Covenants are required to ensure that conservation lots are subject to continual care and maintenance. There is a risk that funds generated by bonus floor area TDRs are not invested into the care and maintenance of the property and are potentially subject to 'demolition by neglect'. Demand for bonus floor area TDRs is associated with general demand for property and development. The incentive may not be effective in times of recession. Owners of bonus floor area TDRs may find them difficult to sell. Demand for a heritage-related TDRs may be affected by other bonuses that are available which may deliver the developer's requirements for floor space Large heritage sites in public ownership can 'flood' the TDR market and depress value and effectiveness. Strong and robust heritage rules are required that regulate demolition, relocation, new buildings and roof-top additions.

3.7. Contributions

The RMA provides for financial contributions, including bonds and reserve contributions, and the Local Government Act 2002 provides the regulatory basis for development contributions. Both contributions can be designed to encourage positive heritage outcomes.

3.7.1 Financial contributions

Secton 108 of the RMA provides that financial contributions may be made as part of conditions of resource consents. The term' financial contribution' means:

a. Money; or

b. Land, including an esplanade reserve or esplanade strip (other than in relation to a subdivision consent), but excluding Maori land within the meaning of the Maori Land Act 1993 unless that Act provides otherwise; or

c. A combination of money and land.[35]

35 Section 108(9), RMA 1991.

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35 Section 108(9), RMA 1991.

A financial contribution must be imposed in accordance with the purposes specified in the plan or proposed plan (including the purpose of ensuring positive effects on the environment to offset any adverse effect), and the level of contribution is determined in the manner described in the plan or proposed plan.[36] Land, in the form of reserve contributions, may also form part of subdivision consent conditions.

In addition, the RMA allows local authorities to require a bond as part of a consent condition. The purpose of a bond is to secure the ongoing performance of conditions relating to long-term effects, including alterations, removal of structures, remedial works, restoration, maintenance work and monitoring of long-term effects.[37]

Policies for financial contributions, including bonds and reserve contributions, in regional and district plans can provide protection for historic heritage. As a basic requirement, the regulatory provisions should provide the flexibility to waiver any required financial contribution in relation to a heritage-related application. Further, the plan should state that a monetary contribution will not be required where land is set aside in perpetuity, under a covenant, for the conservation of heritage values.

3.7.2 Financial contributions for historic heritage

Many district plans in New Zealand include historic heritage matters in financial contributions provisions (see Appendix 2). The most common is the provision that financial contributions will not be required when land is set aside as a conservation lot or reserve for the conservation of heritage values.

Objectives and policies for financial contributions should refer to historic heritage matters. As an example, Policy RCP5 of the Hastings District Plan states "where a heritage site (such as an archaeological site or a wāhi tapu) has been set aside, either as a reserve, a conservation lot or consent notice as part of a subdivision, this will be taken into account when assessing any reserve contribution for the subdivision."

The Far North District Plan (Rule 14.4.1) states that a financial contribution in the form of land will be preferred where that land has "important natural, amenity, heritage or cultural values that should be protected." The plan further states that "where any person wishes to protect, conserve or restore a scheduled heritage resource, and in doing so is required to pay a financial contribution, consideration will be given to the reduction or waiving of that contribution" (Rule 14.6.3).

36 Section 108(10), RMA 1991.
37 Section 108A, RMA 1991.

The Auckland City Isthmus District Plan provides environmental and heritage financial contributions (clause 4B.7.4) to remedy or mitigate the adverse effects of a development and use the financial contribution for the benefit of heritage or environmental features in the vicinity or elsewhere in the city. This policy means a contribution is required for all new development that is either land or cash (or any combination of the two). The amount of the contribution is based on a case-by-case assessment. The Auckland City Central Area District Plan also provides for an exemption from financial contributions where a heritage property is the subject of an approved conservation plan (Rule 10.4.2). This provision is also provided for in the Auckland City Isthmus District Plan.

The Gisborne Combined Regional Land and District Plan waives financial contributions totally or in part for the adaptive reuse of an item and the waiving of reserve contributions either totally or in part (Rule 3.11.2).

3.7.3 Development contributions

'Development contributions' are provided for under subpart 5 of Part 8 of the Local Government Act 2002. They allow territorial authorities to compulsorily require those who create demand for new or enlarged community facilities to pay the capital costs of providing them. Community facilities are reserves, community infrastructure and network infrastructure (roads, transport, roads, wastewater, stormwater). Development contributions are managed under a development contributions policy as part of the Long Term Plan (LTP) and can give effect to the principles of the Local Government Act 2002 outlined in section 14. Development contribution policies are also prepared under subpart 3 which relates to financial management and strategy.

Development contributions can only be required when an individual development creates demand for new capital expenditure. For this reason, these contributions are not a uniform charge and cannot be adopted for maintenance costs. The Local Government Act 2002 provides three statutory 'triggers' for requiring a development contribution for any given project:

1. It is a development within the meaning of section 197.
2. The development, which either alone or in combination with other development will have the effect of requiring expenditure on infrastructure (section 199).
3. The contribution is provided for in the Council's development contribution policy (section 198(2)).[38]

Historic heritage is a relevant matter with regard to development contributions. The justification for consideration and inclusion of historic heritage matters includes:

38 *Neil Construction Limited and others v North Shore City Council* (unreported, High Court, Auckland, CIV 2005-404-4690, 21 March 2007, Potter J), para 116.

- Historic heritage can provide for social, economic and cultural interests of people and communities and enhance the quality of the environment.
- The development of historic heritage involving adaptive reuse of historic buildings is an important community outcome and has been identified in numerous community outcome strategies.
- Historic areas, precincts and landscapes may form an identifiable part of the community.
- Development in historic areas, involving the adaptive reuse of existing historic townscapes, provides a basis for urban renewal and can maximise the use of existing infrastructure and services.

On this basis, development contribution policies should provide a credit incentive for development that involves the adaptive reuse of historic areas and precincts. As stated in Local Government New Zealand's guidance:

> Broadly, credit should be given for any works or services provided by the developer which appropriately reduce the demand for works or services to be provided by the Council. One should reduce or exempt those special cases where the effects of development can be shown to be less than standard units of development or nil.[39]

The Wellington City Council has adopted an equivalent household units (EHU) credit approach which provides an incentive for infill residential subdivision, residential development of a CBD site, additional bedrooms to a one-bedroom household unit, additional household units and development within the Northern Growth Area. Auckland Council provides an exemption for all alterations and additions to existing residential dwellings.

This approach can be adopted for historic areas and precincts as specific catchment areas in a development contributions policy. Councils can consider the provision of an EHU credit for consent applications that involve the adaptive reuse of historic buildings, including earthquake strengthening and change of use applications under the Building Act.

Historic heritage can also form part of hypothecation (targeted) funding from development contributions.[40] It is particularly important that development contribution policies ensure funding is targeted to establishing historic reserves and other heritage-related open space areas and maintaining them in the long term. Development contribution funding can also assist to upgrade and maintain existing historic public buildings and services, including earthquake strengthening. In Auckland City, the restoration and expansion of the Auckland Art Gallery was funded, in part, by development contributions.

39 Local Government NZ, *Best Practice Guide to Development Contributions*, 2003, p 39.

40 'Hypothecation refers' to a tax or fund where a certain portion is tagged or allocated to a specific, usually a popular, cause. Theoretically, people will be willing to pay more in taxes if they believe a certain amount is going towards a cause they believe in. Report of the Local Government Rates Inquiry, Funding Local Government, August 2007, p 274.

Note. Development contributions are currently under review by the Government – see the discussion paper on the Department of Internal Affairs website.[41]

Evaluation of the efficiency and effectiveness of contributions

Costs	The costs to developers involve financial charges and the provision of reserves. The cost of contributions to the community includes the management of contributions, monitoring and enforcement.
Benefits	The benefits of contributions mean that development can be provided with an incentive to invest in existing historic townscapes to facilitate adaptive reuse. They can be designed to benefit a particular historic area or precinct. The benefits may also involve the establishment and maintenance of public space and facilities for historic.
Transparency and clarity	Contributions are transparent and have clarity for developers and the public.
Manageability	The management framework for contributions is provided for in the RMA and Local Government Act 2002.
Legitimacy	If supported by a strong rationale and research, contributions for historic heritage should obtain political support.
Comment	The use of financial contributions for historic heritage under the RMA is well established and can result in substantial benefits. While having potential, the use of development contributions for historic heritage is generally untested in New Zealand with the exception of community heritage projects that have benefited from development contribution funding. Development contribution credits should not provide an incentive to demolition or relocation. They must be limited to adaptive reuse of historic buildings, involving appropriate alterations and additions (including earthquake strengthening) and change of use.

41 Department of Internal Affairs, *Development Contributions Review Discussion Paper*, February 2013.

3.8. Consent fees

Section 36 of the RMA empowers local authorities to fix a range of charges for matters relating to plans, policies and consents. This power is exercised in accordance with section 150 of the Local Government Act 2002. This section means that fees may be prescribed by bylaw or using the special consultative procedures of the Act.

A bylaw may provide for the refund, remission or waiver of a fee in specified situations or in situations determined by the local authority.[42] Section 36(5) also allows, a local authority, in "any particular case and in its absolute discretion, to remit the whole or any part of any charge of a kind." The Building Act contains similar powers for territorial authorities to impose fees or charges with respect to building consents.

Resource consent fee waivers for historic heritage is a relatively common form of incentive adopted in New Zealand. As outlined in Appendix 3, a large number of local authorities have some form of consent fee waiver policy for historic heritage. This policy is often included in the district plan or as part of Council's general policy framework under the Local Government Act 2002.

The resource consent fee waiver should provide an incentive to undertake changes to historic heritage and a disincentive to inappropriate changes such as relocation and demolition. The fee waiver should be designed, therefore, to apply to activities such as:

- Repair and maintenance when this work requires a resource consent.
- Earthquake strengthening.
- Works to comply with the Building Act such as physical access and fire safety.
- Creation of conservation lots by subdivision.
- Works that comply with the provisions of a relevant conservation plan.
- Alterations that are appropriate (including adaptive reuse) as assessed by a heritage professional.

In addition to a fee waiver, an increased fee could be charged for consents that involve demolition or destruction of listed historic items as a disincentive.

Evaluation of the efficiency and effectiveness of fee waiver

Costs	The costs to local authorities of the fee waiver.
Benefits	The benefit of fee waivers is to provide an incentive for owners to carry out appropriate changes to historic buildings, including alterations, retrofit of buildings and earthquake strengthening.
Transparency and clarity	Fee waivers are transparent and have clarity for the public.

42 Section 150(2), Local Government Act 2002.

Evaluation of the efficiency and effectiveness of fee waiver

Manageability	The management framework for fee waivers is provided for in the RMA, Building Act and Local Government Act 2002.
Legitimacy	Fee waivers generally have political support.
Comment	The use of fee waivers for historic heritage under the RMA is well established. Fee waivers should not provide an incentive to demolition or relocation. They must be limited to appropriate changes to heritage buildings (including earthquake strengthening) and change of use.

3.9. Building Act 2004: alterations and change of use

The Building Act regulates all building work in New Zealand. Building work includes making changes to buildings such as alterations, additions, relocation and demolition. Under section 112(1) a building consent authority must not grant a building consent for the alteration of an existing building, or part of an existing building, unless the building consent authority is satisfied that, after the alteration, the building will—

a. comply, as nearly as is reasonably practicable, with the provisions of the building code that relate to—
   i. means of escape from fire; and
   ii. access and facilities for persons with disabilities (if this is a requirement in terms of section 118); and
b. continue to comply with the other provisions of the building code to at least the same extent as before the alteration even if no other significant building work is being undertaken at the same time. All alterations to existing buildings must comply as nearly as is reasonably practicable with specific provisions of the building code.

The compliance test of 'as nearly as is reasonably practicable' means there is some flexibility in approaching alterations as a territorial authority may allow the alteration of an existing building, or part of an existing building, without the building complying with provisions of the building code. The territorial authority, however, must be satisfied that — (a) if the building were required to comply with the relevant provisions of the building code, the alteration would not take place; and (b) the alteration will result in improvements to attributes of the building that relate to—(i) means of escape from fire; or (ii) access and facilities for persons with disabilities. For this provision to apply, the territorial authority needs to be convinced that the fire escape and access improvements outweigh any detriment that is likely to arise as a result of the building not complying with the relevant provisions of the building code.

In addition to alterations, the Building Act regulates the change of use of buildings. Under section 114, in cases of change of use that involves the creation of new one or more household units, the territorial authority must be satisfied, on reasonable grounds, that the building, in its new use, will comply, as nearly as is reasonably practicable, with the building code in all respects.[43]

Building Act-related provisions can present significant challenges for the adaptive reuse of heritage buildings. Common obstacles can involve situations such as:

- Retrofit work for improving structural performance (earthquake strengthening) for individual heritage buildings and historic precincts.
- The conversion of commercial buildings to residential or other uses.
- The adaptation of buildings to provide for new physical access, and fire safety requirements.

Managing Building Act-related heritage buildings issues requires a strategic approach by local authorities. First, there must be strong connections between building consent staff and policy within councils. It is important that local authorities have a 'united front' when dealing with heritage buildings under the Building Act.

Local authorities should use the full range of incentive-based tools for managing heritage-related building issues. These tools will involve:

- In-house training for Council staff on dealing with heritage building issues.
- Public information, advice and guidance about managing changes to heritage buildings under the Building Act.
- Use of heritage professionals to provide advice on heritage building projects.
- Adoption of best practice alternative solutions to achieve heritage and safety objectives.
- Preparation of conservation plans to guide adaptive reuse of individual buildings and groups of buildings.
- Targeted funding assistance, especially for earthquake strengthening, fire safety and physical access-related work.
- Project management approach for historic precincts and areas as 'special development areas' using a master or structure plan involving owners, building officials, and Council policy planners, incorporating earthquake-prone risk assessments.

The NZHPT has published a separate guide to the Building Act as part of the Sustainable Management of Historic Heritage Guidance Series. This guide provides an explanation of matters such as heritage-related terms, project information memorandum and notification, building consents and general guidance for making changes to heritage buildings.[44] The NZHPT has prepared further technical guidance for improving physical access and fire safety.

43 It is noted that the provisions of the Building Act for waivers and alternative solutions only apply to new building work and building code compliance. For alterations and change of use, waivers and alternative solutions do not apply since the work does not require this compliance. Instead, alterations or change of use must comply to a level that is 'as nearly as is reasonably practicable'.

44 NZHPT, *Sustainable Management of Historic Heritage Guidance Series*, Guide No.6, 'Building Act 2004', August 2007.

4. Non-regulatory incentives

4.1. Private-public partnerships

Private-public partnerships (PPPs) come in a wide variety of types and forms. In most PPPs there is some degree of shared responsibility for funding and management involving a collaboration of private interests and government.

PPPs for historic heritage include a range of non-profit trusts, organisations and corporate agencies. Overseas, PPPs are becoming a common approach for historic heritage, especially for the revitalisation or adaptive reuse of large abandoned historic buildings or economically depressed areas. As part of a review of European heritage initiatives commissioned by the Helsinki University of Technology, Donovan D. Rypkema provides a list the common denominators for successful heritage PPPs:

- The heritage building is identified as a community asset regardless of who actually holds title to the property.
- There is a core group who initiates the action which often comes from the non-government organisation (NGO) sector.
- There is an imaginative catalyst to move the redevelopment idea forward. This may come from the business community, local government, an NGO or elsewhere, but rarely from the current owner of the property (even if that owner is a level of government).
- There is broad-based support for the project within the local community that spans horizontally sector and political interests.
- There is always public sector participation, including from levels of government that are not directly involved as the formal public partner.
- There are multiple sources of financing from traditional private sector, non-traditional and public institutions.
- There is a commitment on all parties to be willing to be as flexible as possible in use, financing, timing and particulars of the transaction until a mutually acceptable and feasible alternative scenario is developed. This requires both compromise and patience from all partners. Even the most successful heritage PPPs tend to experience significant public scepticism during the process.[45]

Further information about heritage PPPs is available online in the Helsinki University of Technology study.[46]

In New Zealand there are many examples of heritage PPPs. One of the most high profile and successful projects is the Britomart Transport Centre in Auckland. While the project was highly controversial during the late 1990s, the Britomart Transport Centre was opened

45 Donovan D. Rypkema and Caroline Cheong, *Public-Private Partnerships and Heritage: A Practitioner's Guide*, Heritage Strategies International, January 2012.
Economics and Built Heritage – Towards New European Initiatives, Centre for Urban and Regional Studies Publications, Helsinki University of Technology, 2008.

46 http://lib.tkk.fi/Reports/2008/isbn9789512293971.pdf

in 2003 as a result of substantial public and private investment and partnership, with the cornerstone achievement being the restoration of the Chief Post Office building.[47]

In provincial New Zealand, the most common PPPs for historic heritage is the 'main street' model. In this model, main streets and town centres are actively managed by the collaboration of business owners by the contribution of funds or targeted differential rates. These funds are used to promote and market the town centre and maintain a management structure by the employment of a town centre manager. The model is promoted by organisations such as members of the Town Centres Association of New Zealand and Towns and Cities New Zealand. The structure is also often facilitated and part-funded by local authorities.

The main street model has significant advantages for the management of historic town centres. Town centre managers provide an important link between business owners, Council and the community. Often these managers can facilitate funding applications for, and on behalf of, owners of historic commercial buildings. By promoting local business investment, town centre managers can make a significant contribution to the ongoing use and maintenance of historic commercial buildings.

Pride in Putaruru

Pride in Putaruru is a non-profit town centres association established by the community. It promotes the town centre of Putaruru in a large number of ways, including a website, blog-site and newsletter.[48] By encouraging local business investment, Pride in Putaruru has made a valuable contribution to the long-term maintenance and use of historic commercial buildings in the town. The organisation is promoting further benefits to the heritage of Pataruru by the establishment of heritage trails, festivals and improving historic shop facades.

Pride in Putaruru employs two full-time staff (manager and assistant). Funding for it comes from business owners, the South Waikato District Council and community grant applications. The organisation has assisted with the development of a Putaruru Concept Plan which provides a shared vision for the future of the town.

47 http://www.britomart.co.nz/history1.html
48 http://www.putaruru.co.nz/

4.2. Heritage grants and loans

Heritage grants take three main forms: entitlement grants, discretionary grants and performance grants. The Australian National Incentives Taskforce provides the following explanation of the three main types:

> [Entitlement grants are] given to any owner whose property meets pre-set eligibility criteria. Equal benefits are paid to all, not discriminating between those managing their properties to a high standard and those that simply meet the criteria. Recipients are not generally required to spend the grant on conservation works.
>
> Discretionary grants have flexible guidelines and applicants must compete for selection. Typically, a grant assessment committee or board determines the most worthy projects to be funded.
>
> Performance grants operate with strict criteria that define the types of conservation project that will be supported (e.g. structural repairs, external restoration).[49]

Heritage grants are the most common non-regulatory incentive offered in New Zealand, and most of these are discretionary-type grants. Heritage grants are provided by a large number of territorial authorities. Most funds are relatively small and individual grant amounts are often between $5,000 to $10,000. Some of the largest funds are the Auckland Council Built Heritage Protection Fund, Wellington City Council's Built Heritage Incentive Fund and the Canterbury Earthquake Heritage Buildings Fund.

Some local authorities also provide performance grants for specific types of work. The most common in New Zealand are grants for façade enhancement or purchase of paint.

In addition to the territorial authority heritage grants, Bay of Plenty and Southland regional councils provide regional heritage grant schemes. The Southland Regional Heritage Development Fund is unique as it involves both Environment Southland and the three territorial authorities as a joint initiative.

A list of local authority heritage grants available in New Zealand is outlined in Appendix 4.

The only other specific heritage grant fund available for private owners of historic heritage, or groups who are not eligible to the Lotteries Board Heritage Grant Fund, is the National Heritage Preservation Heritage Incentive Fund managed for the Crown by the NZHPT. Individual grants cover 50 percent of conservation work (including repairs, earthquake strengthening and fire protection) to a maximum of $100,000. The fund is only available to private owners of Category 1 historic places (or those places that satisfy the requirements for Category 1), wāhi tapu or wāhi tapu areas registered under the Historic Places Act 1993.[50]

While heritage grant schemes are the most widespread form of non-regulatory incentive for historic heritage in New Zealand, they can be affected by a number of issues, including:

49 National Incentives Taskforce for the EPHC, *Making Heritage Happen: Incentives and Policy Tools for Conserving our Historic Heritage*, February 2004, pp16–18.
50 http://www.historic.org.nz/en/ProtectingOurHeritage/FundingProtection.aspx

- As indicated in Appendix 4, grant assistance is not available in all parts of New Zealand. Generally, there are more grants available in the North Island, especially Northland, Auckland, Bay of Plenty and the Waikato. Elsewhere, assistance to owners is 'patchy'.
- Information about available grants can be difficult to obtain. Some local authorities do not advertise the grants by not providing public information on websites or using information sheets and brochures.
- Many owners of historic heritage are unwilling to apply for funding assistance. It is the common experience of some local authorities that applications for funding assistance fall short of expectations or anticipated demand. It appears that many owners do not bother applying if the amount of grant available is manifestly too low.
- Many owners refuse to seek financial assistance because of perceived interference with property rights and wish basically to be 'left alone'. Also they may not submit applications to avoid 'paper work' or associated conditions to funding assistance such as public access provisions or covenants.
- Grants often do not provide solutions to situations of building abandonment (demolition by neglect) when owners either do not have other funds available for repair works or simply refuse to take care of a place.
- Grants do not provide solutions to 'orphaned buildings' when owners cannot be identified or contacted.

Best practice guidance for the design and management of a local authority heritage grants scheme is outlined in Appendix 1.

As indicated in Appendix 1, funds should also be made available for emergency situations. This should be tagged as an 'Emergency Heritage Contingency Fund' to allow for "moderate, but urgent expenditure in the public interest to cope with or secure an unexpected situation involving an item of heritage interest."[51]

4.2.1 Heritage loans

Loans can be in the form of direct loans or loan subsidies. Generally direct loans are made to "property owners at a lower interest rate that would be commercially available."[52] In the case of loan subsidies, the 'loan finance is supplied by a commercial lender, while the interest rate 'gap' is funded by the organisation giving the loan.

Heritage-related loans are uncommon in New Zealand, and only a few local authorities indicate that it may be possible for owners to obtain a low-interest loan to assist in the repair or restoration of a historic property.

51 George Farrant, 'Incentives – The Auckland Experience' Presentation for the National Workshop Heritage Incentives, Auckland, 10 August 2009.

52 National Incentives Taskforce for the EPHC, *Making Heritage Happen: Incentives and Policy Tools for Conserving our Historic Heritage*, February 2004, p 18.

George Farrant notes that heritage loans can provide larger 'catalytic' funding amounts, especially when an owner may not be eligible for traditional loan or grant sources.[53] Other advantages of heritage loans may include:

- Providing larger heritage outcomes and private investment than most heritage grants schemes.
- Acting as a subsidy (1:1 or otherwise) to an owner's own fundraising efforts.
- Contributing towards a revolving heritage fund in the long term.
- Stimulating goodwill of owners to conserve historic heritage.[54]

George Farrant also notes the disadvantages of heritage loans: they may involve an occasional risk of default, facilitating the opportunity for capital gains (when owners resell the building at a profit and capitalise on the heritage loan); involve relatively high administrative burden; and the real costs of the loan may be less transparent than a simple heritage grant.

Suspensory loan conditions can be adopted to reduce the risk of an owner obtaining significant capital gains arising from a loan. They can also encourage long-time owners to carry out restoration works and retain ownership on a long-term basis. Suspensory loans mean that the repayable amount is set at a sliding scale. The scale may vary according to the period of time following the grant, repayable amount, ownership and individual circumstances. For example, the repayable amount could be reduced to 50 percent after five years conditional on the property being retained by the owner.[55] In this case, the "loan progressively becomes a grant while ownership remains unchanged."[56]

53 George Farrant, 'Incentives – The Auckland Experience' Presentation for the National Workshop Heritage Incentives, Auckland, 10 August 2009.

54 Ibid.

55 Ibid.

56 Ibid.

4.2.2 Grants for earthquake-prone heritage buildings

The risk of heritage loss from earthquake damage is a major issue for New Zealand. Earthquake strengthening work (or improving structural performance) of heritage buildings not only improves public safety, but can create jobs and ensure the survival of historic heritage.

The NZHPT's research for the Canterbury Earthquakes Royal Commission shows that heritage grant schemes and other sources of funding had a major influence in facilitating earthquake strengthening of heritage buildings in Christchurch prior to September 2010.[57] This resulted in the survival of some heritage buildings of national significance such as the Arts Centre, Canterbury Museum and Christ's College.

The Building Act requires territorial authorities to prepare earthquake-prone buildings policies. In some territorial authorities, this policy framework involves an active approach to the identification and regulation of earthquake-prone buildings.[58] These provisions are currently under review following the release of the recommendations of the Canterbury Earthquakes Royal Commission.

In addition to research by the NZHPT, the Seismic Retrofit Solutions project at Auckland University has investigated issues relating to earthquake-prone buildings, including heritage.[59] For example, Temitope Egbelakin, a former PhD student, researched incentives and motivators to enhance seismic retrofit implementation. Her research highlights the need for greater incentives for seismic retrofit in the form of a cost-sharing approach involving government and owners and the provision of low or no-interest loans.

The NZHPT advocates for improved incentives and assistance for owners of earthquake-prone heritage buildings. A new grants and loans scheme is required at a national level not unlike the current EECA ENERGYWISE funding scheme to improve energy efficiency. Another approach would be to allow the cost of strengthening to be claimed as a tax deductible expense in a similar manner to repairs and maintenance, particularly if the works do not improve the capital value of the property.

A grant, tax incentive and/or loans scheme for earthquake-prone heritage buildings would enable targeted assistance to be provided to owners which will create jobs, save lives, and preserve heritage.

57 Robert McClean, *Heritage Buildings, Earthquake Strengthening and Damage: The Canterbury Earthquakes September 2010, January 2012*, Report for the Canterbury Earthquakes Royal Commission, 8 March 2012.

58 For an overview, see Robert McClean, 'Toward improved national and local action on earthquake-prone heritage buildings' Historic Heritage Research Paper No.1, NZHPT, 3 March 2009.

59 http://www.retrofitsolutions.org.nz/index.shtml

4.3. Rates relief (including remission, postponement and differential rating)

Rates relief is a property tax abatement. It can involve the "full or partial reduction, freezing, or deferment of property taxes or rates."[60] Rating is regulated under the Local Government (Rating) Act 2002 and the Local Government Act 2002. Rates relief can only be adopted if the local authority has provided for this incentive under a rates remission policy or rates postponement policy prepared under sections 109 and 110 of the Local Government Act 2002. Rates remission or rates postponement policies must state the objectives to be achieved and the conditions and criteria for remission or postponement.

An overview of the rating system and a discussion of key rating issues is provided in the Report of the Local Government Rates Inquiry, *Funding Local Government*, August 2007 (the rates inquiry report).[61]

The rates inquiry report found that 57 local authorities (67 percent) provide rates remission for land protected for natural, historic or cultural conservation purposes.[62] Most of these local authorities provide rates relief for heritage-related properties. A list of heritage-related rates remission schemes currently available in New Zealand is outlined in Appendix 5.

It is often unclear, however, about the nature of the local authority rates policy for historic heritage and often there is a lack of certainty if the rates relief applies to urban built heritage as opposed to rural heritage properties protected by covenants. Perhaps, as a consequence of the degree of uncertainty about the application of rates relief to historic heritage, this incentive is not commonly implemented by local authorities to protect and maintain historic heritage.

In 2007, the Wellington City Council commissioned Graham Spargo Partnerships Ltd to examine financial and other means to manage built heritage in the city (the Spargo report).[63] The report provides information on a range of incentives for historic heritage, especially rates-relief policies:

> 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. Rates postponement enables the money that is postponed to be 'clawed back' once a trigger event occurs.[64]
>
> [Rates remissions] 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 ... A remissions policy can be framed to include criteria

60 Ibid, p5.

61 www.ratesinquiry.govt.nz

62 Report of the Local Government Rates Inquiry, *Funding Local Government*, August 2007, p 207.

63 Graham Spargo Partnerships Ltd, *Built Heritage Management in Wellington City: Financial and Other Means to Appropriately Manage Built Heritage*, November 2007.

64 Rates postponement is often adopted in cases of financial hardship. "Postponed rates are registered as a statutory land charge on the title of the property. This means when the property is sold, the rates must be paid out of the proceeds before any other debts are settled." Report of the Local Government Rates Inquiry, *Funding Local Government*, August 2007, p 275.

that need to be met to qualify. For built heritage, this could include ensuring that appropriate and adequate maintenance of buildings is undertaken.

> 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.[65]

> [Targeted rates] 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.[66]

George Farrant also notes that a 'rates freeze' can be adopted. For example, such a freeze could be applied at the time of protection of a heritage property or immediately before a development takes place.[67]

The Spargo report provides an assessment of the various rating tools to achieve positive heritage outcomes in terms of advantages and disadvantages. After considering the options, the report recommends that the Wellington City Council offers a rates postponement and rates write-off as a public good contribution to minor (less than $50,000) built heritage work delivering heritage outcomes and a commercial area rates remission 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." Further, the Spargo report recommends a "residential areas rates remissions policy which enables rates for listed heritage buildings in residential zones where owners are maintaining buildings but otherwise leaving them unaltered."[68]

The Dunedin City Council is one of the most active local authorities in providing rates relief for historic heritage. In addition to a general non-profit community rates relief scheme, Dunedin has a Targeted Rate Scheme for Earthquake Strengthening of Heritage Buildings. This allows building owners to obtain funding for earthquake strengthening of heritage buildings and to pay this back through a targeted rate on their property. Eligible building owners may obtain amounts of up to $50,000 to assist with earthquake strengthening. Larger amounts may be considered on a one-off basis. Additional assistance may also be available through the Dunedin Heritage Fund.

Also, the Dunedin City Council has rates relief available to heritage building reuse and strengthening projects. This is typically a 50 percent rebate on the general rate. For example, the owners of the NZ Loan and Mercantile Agency Co building in Thomas Burns Street were granted rates relief in July 2011. The 50 percent rates relief amounted to $5,244.27 for 2011–2012.[69] In addition, the Council has established a heritage residential B&B rates category in June 2011. This is available for owners of heritage B&B who were paying commercial rates following assessments by Quotable Value (QV) in 2010.

65 Differential rating can also be based on location, area, use or activities allowed for under the RMA.

66 Ibid.

67 George Farrant, 'Incentives – The Auckland Experience' Presentation for the National Workshop Heritage Incentives, Auckland, 10 August 2009.

68 Graham Spargo Partnerships Ltd, *Built Heritage Management in Wellington City: Financial and Other Means to Appropriately Manage Built Heritage,* November 2007. Note: Wellington City Council has yet to adopt the recommendations of the Spargo Report in relation to rating.

69 *Otago Daily Times*, 19 July 2011.

George Farrant provides a summary of the advantages and disadvantages of rates relief for historic heritage:

Advantages:

- Is facilitated by existing legislation.
- Recognises the maintenance burden to owners in a tangible way.
- Is transparent and can be publicly debated.
- Is highly visible to ratepayers via rates notices.
- Gives the ability to ensure maintenance or 'claw-back' rates.

Disadvantages:

- Costs to administer.
- Costs to rating income.
- Difficult to anticipate uptake levels and impact on rates income.
- Needs to be clearly linked to actual maintenance costs and heritage outcomes. [70]

4.4. Tax relief

Tax-related incentives have proved to be a major influence for the preservation of historic heritage in the United States (see below). New Zealand does not provide a central government tax incentive scheme for historic heritage.

Currently, the only environmental-related tax incentive is under the Income Tax Act 2004 which provides a system of environmental restoration accounts that relate to expenditure by business to avoid, remedy or mitigate the detrimental effects of contaminant discharge.[71] This system could be amended by the Government to provide for the repair and maintenance of historic heritage.

4.4.1 Tax deductible expenses

In the past, owners of commercial properties could claim depreciation as set out under the Tax Administration Act 1994 and the Income Tax Act 2004. As from April 2011, owners will no longer be able to claim depreciation on buildings.[72]

The ability for owners of commercial properties to claim repairs and maintenance as an allowable deductible expense is available under tax law. Advice should be obtained from the Inland Revenue Department (IRD) or a Chartered Accountant on the types of repair and maintenance works that can be claimed as an allowable deductible expense. Generally,

70 George Farrant, 'Incentives – The Auckland Experience' Presentation for the National Workshop Heritage Incentives, Auckland, 10 August 2009.

71 Sections CB24B, EK1–23, Schedule 6B, Income Tax Act 2004.

72 While the ability to claim depreciation has been removed, IRD state that provisional depreciation rates will still be able to be set for 'classes of buildings'. If the Commissioner for Inland Revenue issues a provisional rate for a class of building stating that it has an estimated 'useful life' of less than 50 years, owners of affected buildings will be able to claim depreciation deductions: IRD, *Guide to the tax changes proposed in the Taxation (Budget Measures) Bill 2010,* 20 May 2010.

the incentive is limited to repairs and maintenance that are not capital expenditure and the maintenance of assets in same condition as when acquired. Substantial work, over and above maintenance for 'wear and tear', is not deductible.

4.4.2 Tax relief for historic heritage in the United States

Tax reforms in the United States have revolutionised the way that developers and private investors think about old buildings. Established in 1976, the Rehabilitation Tax Credit has revitalised countless communities and is internationally recognised for its success. The credit applies to costs incurred for the rehabilitation, renovation, restoration, and reconstruction of historic buildings. The percentage of costs taken as a credit is 10 percent for buildings placed in service before 1936, and 20 percent for certified historic structures.

The credit is available to any person or entity that holds the title for an income-producing property. Expenses that qualify for the credit include expenditure for structural components of a building such as: walls, partitions, floors, ceilings, tiling, windows and doors, air conditioning and heating systems, plumbing, electrical wiring, chimneys, stairs, and other components related to the operation or maintenance of the building. Soft costs such as architect or engineering fees also qualify for the credit.[73]

The United States Secretary of the Interior established 10 Standards for Rehabilitation which projects must meet to be eligible for the 20 percent Rehabilitation Tax credit. They are:

- A property shall be used for its historic purpose or be placed in a new use that requires minimal change to the defining characteristics of the building and its site and environment.
- The historic character of a property shall be retained and preserved. The removal of historic materials or alteration of features and spaces that characterize a property shall be avoided.
- Each property shall be recognised as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or architectural elements from other buildings, shall not be undertaken.
- Most properties change over time; those changes that have acquired historic significance in their own right shall be retained and preserved.
- Distinctive features, finishes, and construction techniques or examples of craftsmanship that characterise a historic property shall be preserved.

73 Heritage Canada Foundation *Canada's Endangered Places Report Card* 19 February 2007.

- Deteriorated historic features shall be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature shall match the old in design, colour, texture, and other visual qualities and, where possible, materials. Replacement of missing features shall be substantiated by documentary, physical, or pictorial evidence.
- Chemical or physical treatments, such as sandblasting, that cause damage to historic materials shall not be used. The surface cleaning of structures, if appropriate, shall be undertaken using the gentlest means possible.
- Significant archaeological resources affected by a project shall be protected and preserved. If such resources must be disturbed, mitigation measures shall be undertaken.
- New additions, exterior alterations, or related new construction shall not destroy historic materials that characterise the property. The new work shall be differentiated from the old and shall be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.
- New additions and adjacent or related new construction shall be undertaken in such a manner that if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.[74]

In addition to the federal tax incentive, some 30 States of the United States have some form of heritage tax incentive programme. [75]

4.5. Public purchase and revolving acquisitions

Many local authorities have purchased historic properties as key strategic assets for the community. Also, many of these properties have been adapted for public purposes such as meeting rooms, libraries and parks.

In addition to strategic asset purchase, unforeseen circumstances may arise when "the security of a heritage site or item may depend, after all else fails, on purchase by an entity with sufficient resources and conservation motives to do so."[76] Considering the significant capital expenditure involved, these circumstances will be exceptional and need to be assessed on a 'case-by-case' basis.

74 United States National Park Service *A Guide to the Federal Historic Preservation Tax Incentives Program for Income-Producing Properties* http://www.nps.gov/history/hps/tps/tax/incentives/index.htm

75 For an overview of State-level tax incentives, see http://www.preservationnation.org/resources/find-funding/additional-resources/taxincentives.pdf

76 George Farrant, 'Incentives – The Auckland Experience' Presentation for the National Workshop Heritage Incentives, Auckland, 10 August 2009.

Stoneycroft, Hastings
Photo, Alison Dangerfield NZHPT

Stoneycroft is located on the outskirts of Hastings, Hawke's Bay. The property is registered as a Category 2 historic place under the Historic Places Act 1993 and protected by a heritage covenant and listing in the district plan.

Stoneycroft dates from 1875 and forms part of a historic property with 2.4 hectare grounds containing mature trees. In July 2005, the Hastings District Council purchased the property for community use with the aim of preserving the historic building and the notable trees on the property and fulfilling some of the reserve contributions for the development of the Lyndhurst subdivision. Since purchase, the Council have undertaken extensive repair and restoration of the building and the grounds. Following the completion of these works, Council consulted the community to determine a new future use for the property and the property is now the home to a new digital heritage centre for the Hawkes Bay.

4.5.1 Revolving funds

Revolving funds are a proven method of providing financial and community assistance for historic heritage in Australia and New Zealand. In this country, two successful revolving funds have operated in Christchurch (Christchurch Heritage Trust) and Invercargill (Troopers Memorial Corner Charitable Trust). Auckland Council has recently established a new revolving fund as part of the Auckland Built Heritage Protection Fund.

'Revolving funds' is a pool of capital created and reserved for a specific activity. The capital is used to purchase, restore, sell and reinvest for historic conservation purposes. Basically, the system involves:

1. Establishment of a community trust or incorporated society with financial resources.
2. Acquisition of strategic historic proprieties by purchase or donation.
3. Repair and restoration of properties.
4. Protection via heritage covenants.
5. Sale or lease of properties to generate further income for other purchases or restoration projects.

As outlined by the Australian EPHC National Incentives Taskforce, revolving funds involve two main challenges:

> Firstly, an initial capital injection is required to get the scheme up and running. This can be obtained through government funding (either from general revenue or other sources such as lotteries, bond issues, etc); donations or bequests (cash or property); and fund-raising or borrowings. The second challenge is that management of a revolving fund needs considerable expertise, including real estate, marketing, finance and heritage expertise.[77]

77 National Incentives Taskforce for the EPHC, *Making Heritage Happen: Incentives and Policy Tools for Conserving our Historic Heritage*, February 2004, p23.

4.5.2 The three former miner's cottages, Arrowtown

Arrowtown is an important heritage town and is a significant tourist destination in Central Otago. Research by the Arrowtown Promotion and Business Association indicates that more than 400,000 people from outside the Wakatipu region visit Arrowtown each year.[78] The majority of the visitors are attracted by the historic streetscapes of the town.

Early miners cottages form a part of the Arrowtown streetscapes. The three former miner's cottages at 59, 61 and 65 Buckingham Street, Arrowtown, were built between the early to mid-1870s out of rudimentary local materials or red beech timber and schist rock. The cottages were owned by property developer Eamon Cleary.[79] He owned two of the cottages and their sections outright and a third cottage which stood on council leasehold land.[80] Cleary allowed the buildings to fall into disrepair and had planned a large-scale accommodation complex behind the three buildings incorporating replicas of the historic cottages.[81]

After a public outcry about the state of the cottages, Queenstown Lakes District Council purchased the properties for $1.9 million – including 59, 61 and 65 Buckingham Street, together with 6 Merioneth Street. The purchase was conducted on behalf of the Council by a local developer.[82] After the purchase of the cottages, the Council called on members of the public to put their names forward as members of a new charitable trust, the Arrowtown Trust, responsible for the future of the buildings. Since its establishment, the trust has raised some $600,000 from applications to the NZ Lotteries Grant Board and other community funding sources for the restoration of the cottages. The restoration work was completed in October 2011 and the cottages are now venues for a café, art gallery and office space.

65 Buckingham Street, Arrowtown. *Photo, Jo Boyd, Riverlea Photography*

78 'Arrowtown charm, historic buildings visitor lure: study', *Queenstown Times*, 6 March 2013.
79 *Mountain Scene: Queenstown*, 1 February 2007, p5.
80 *Southland Times*, 9 February, 2007, p1.
81 *The Dominion Post*, 21 February 2007, p11.
82 *Gisborne Herald*, 10 February 2007, p13.

4.6. Insurance rebates

Insurance is a system that provides recompense to owners in the event of loss or damage in order that repairs or reinstatement may be financed in whole or part. All heritage places should be covered by adequate insurance. The NZHPT provides guidance on insurance of heritage properties as part of the *Sustainable Management of Historic Heritage Guidance Series*.[83]

Cuba Street Historic Area, Wellington
www.cuba.co.nz
Photo, NZHPT

As with general properties, some insurance companies provide discounts or rebates if buildings are maintained to a high standard or safety measures are installed such as:

- Fitting smoke detectors and sprinkler systems.
- Upgrading electrical wiring systems.
- Safeguarding your property from vandals.
- Ensuring your property is occupied.

The NZHPT also advocates for discounts and rebates to recognise earthquake strengthening works.

For further information about insurance-related options and incentives, contact your insurance company, the Insurance Council of New Zealand or the Insurance Brokers Association of New Zealand.

4.7. Urban design, events and promotion

The design of the urban environment has a huge influence on historic heritage. The planning of the public domain, in both residential and commercial areas, has the potential to either undermine the conservation of historic heritage or enable greater adaptive reuse and economic viability. Achieving positive urban design and historic heritage outcomes will require careful planning and management of aspects such as:

Art Deco Trust, Napier
www.artdeconapier.com

- Public transport, traffic and car parking.
- New buildings.
- Parks and green spaces.
- Pedestrian access and footpaths.
- Cycle ways.
- Street furniture.
- Signage.

Many urban centres in New Zealand have positive examples whereby urban design initiatives have enabled historic heritage preservation and adaptive reuse. These examples include the Kerikeri Basin (construction of the Kerikeri bypass), Vulcan Lane and Britomart Transport Centre (Auckland), Emerson Street (Napier), Cuba Street, Blair and Allen Streets (Wellington), Worcester Street (Christchurch) and Queenstown heritage precinct (Queenstown). These are a few of many other examples, where local authorities have aimed to achieve the right mix of traffic and pedestrian spaces in an urban landscaped environment that has facilitated the economic and cultural viability of historic heritage.[84]

4.7.1 Auckland's shared streets initiative

Since 2010, Auckland Council has been developing shared streets within the Auckland CBD. Shared streets provide space for pedestrians, cyclists and vehicles to encourage 'cohabitation' and improved accessibility. Elliot and Darby streets were the first shared streets and recently Jean Batten Place and Fort Lane have become new shared spaces. The initiative has been overwhelmly successful in encouraging urban revitalisation and adaptive reuse of heritage buildings, including the former Jean Batten Departmental Building and the old Imperial Buildings resulting in new boutique retail, office and restaurant businesses. Ludo Campbell-Reid, Urban Design Champion for Auckland Council, reported that in February 2013 that pedestrian numbers in Fort Street were up by more than 50 percent on average during the week and increased consumer spending.[85]

Imperial Buildings, Fort Lane Shared Space.
Photo, idealog.co.nz

83 NZHPT, *Sustainable Management of Historic Heritage Guidance Series*, Guide No. 7, 'Insurance and Heritage Properties', August 2007.

84 Further information about urban design and historic heritage is available from the *Sustainable Management of Historic Heritage Guidance Series*, Discussion Paper No.4.

85 'Building the world's most liveable city', *NZ Construction News*, 1 February 2013.

In addition to urban design, historic heritage can be promoted by a wide range of initiatives, events and functions. The contribution of these events towards economic and cultural viability of historic heritage cannot be underestimated. As an example, the Hawke's Bay Art Deco Trust commissioned an economic impact study in 2006 which revealed that Napier Art Deco tourism (based on the Napier Art Deco Walking Tours, shop and Art Deco Festival and related events) had a direct economic impact of $11 million. It had an indirect multiplier effect of $12 million, totalling $21 million p.a.[86]

Other more well-known heritage-related events and initiatives include:

- Auckland Heritage Festival.
- North Shore Heritage Festival.
- Jackson Street Carnival (Petone).
- Cuba Street Carnival (Wellington).
- Wellington Walking Tours.
- Christchurch Heritage Week.
- Caroline Bay Carnival (Timaru).
- Oamaru Victorian Heritage Celebrations.
- The Dunedin Heritage Festival.
- Invercargill Rural Heritage Day.

4.8. Other heritage incentives

In addition to the regulatory and non-regulatory incentives outlined in this research paper, there are many other types of incentives. The most common are listed in Appendix 6 and include:

- Provision of free technical advice and information.
- Heritage awards.
- Support for preparation of conservation plans.
- Support for fencing and painting.

86 http://www.artdeconapier.com/data/media/documents/HISTORY%20_3_.pdf

4.8.1 A heritage credit scheme

The adoption of a heritage credit scheme has been promoted by the Heritage Chairs and Officials of Australia and New Zealand (HCOANZ). In a research report for HCOANZ in 2005, the Allen Consulting Group investigated the use of a heritage credit scheme.[87] A type of heritage credit TDR has operated in the Sydney CBD for some years.

Heritage credits work on a 'beneficiary-pays' principle whereby owners who adopt practices or works that result in improved heritage outcomes would be awarded with 'heritage credits'. The scheme could operate nationally or locally not unlike the United States Tax Relief scheme outlined earlier in this document. Heritage buildings that are maintained and repaired to a certain national standard could receive the 'credits'. The awarding of the credit could operate in a similar manner to the EECA Home Energy Rating Scheme (HERS) or other green star rating systems overseas.

Private individuals, companies or local governments could purchase the heritage credits from the owners. Alternatively, the heritage credits could entitle the owner to receive rates relief, tax incentives or eligibility to apply for grants. The Allen Consulting Group provide the example of a tourist operator who relies on the conservation of a particular historic area as a basis for running walking tours. This operator may be willing to purchase credits to "ensure maintenance of their business."[88]

The heritage credit scheme aims to reward an owner for keeping a heritage building in good repair and maintenance. Unlike other incentives, the award is not triggered by a development-related application. The design of a heritage credit scheme could also recognise embodied energy and waste minimisation that is gained from building preservation. In other words, the credit could recognise the 'green heritage' values and associated public benefits. Private companies may purchase these credits in order to brand their company as both environmentally and culturally sustainable.[89]

87 The Allen Consulting Group, *Thoughts on the 'When' and 'How' of Government Historic Heritage Protection*, Report for HCOANZ, October 2005, p 48.

88 Ibid.

89 Robert McClean, 'Planning for heritage sustainability in New Zealand – A Safe Heritage Credit Scheme', Presentation and paper for the Safe Buildings Conference, August 2011.

Appendix 1.
Best practice guidance for design and management of a local authority heritage grants scheme

The Office for the Community & Voluntary Sector has published good practice funding guidance for government agencies. The guidance covers issues relating to funding relationships, funding options, managing risk and monitoring and evaluation and is available on the good practice funding website:

http://www.goodpracticefunding.govt.nz/index.html

The principles and processes recommended in the good practice funding guidance will be relevant for the design and management of local authority heritage grant schemes. For example, the guidance states that public entities should adopt principles for the management of public resources, including lawfulness, accountability, openness, value for money, fairness and integrity.

In 2004, the Environment Protection and Heritage Council of Australia (EPHC) undertook a review of incentives and policy tools relating to historic heritage.[90] This review examined the full range of incentives and other policy tools available in both Australia and internationally, and evaluated the effectiveness of incentives. The EPHC review highlighted the importance of integration of incentive review processes with state of the environment reporting relating to the historic environment. Key questions in evaluating effectiveness developed by the EPHC were:

- To what extent does an incentive induce conservation outcomes that would not have occurred in the absence of that incentive?
- To what extent does an incentive provide equity for owners of heritage places?
- How effective are heritage incentives in relation to other forms of government expenditure?
- How effective is one form of incentive compared with another?[91]

Some of the findings of the EPHC review are outlined below.

90 EPHC, *Making Heritage Happen: Incentives and Policy Tools for Conserving our Historic Heritage*, February 2004.

91 Ibid, p 34.

Key findings Australian EPHC Review

Most of the grant, loan and tax schemes provided in Australia have been quite small, and have fallen well short of the amount required to make a significant impact on heritage conservation activity within a state or locality.

Over-subscription is the norm for grant and loan schemes in Australia.

[The] disproportion between applications and available funds masks the broader pool of applicants who do not even bother to apply, because the quantity of available funding is manifestly too low.

Over-subscription can lead to disenchantment, particularly given the paperwork involved in making applications.

For **grant schemes targeted at State Registered places**, "it suggested that a suitable minimum quantity would be $2.5 million in grants per annum per 1,000 places in the State, and an ratio of less than 3.1."

In the case of **loan schemes targeted at State Registered Places**, it is suggested that "a suitable minimum quantity would be a minimum of $1 million in subsidised loans per annum per 1,000 places in the State Register, and an over-subscription ratio < 3.1"

No single financial incentive or other policy tool offers a 'magic wand' solution; rather, a combination of complementary tools produces the best results. Ideally, a comprehensive heritage program incorporates: strong financial incentives; advisory services for owners; a planning regime that is sympathetic to conservation outcomes, or is at least neutral; promotion of conservation outcomes through a system of 'revolving' acquisitions, donations, and restorations; and a strong focus on community promotion, information and demonstration.

Without a strong commitment by government, an incentive scheme or policy tool will tend to be a 'token' programme that raises public expectations only to disappoint them.[92]

92 Ibid, pp 37-38 emphasis in original.