

28 July 2005

Heritage Inquiry
Productivity Commission
PO Box 80
Belconnen ACT 2616

Dear Commissioners

INQUIRY INTO THE POLICY FRAMEWORK AND INCENTIVES FOR THE CONSERVATION OF AUSTRALIA'S HISTORIC BUILT HERITAGE PLACES

The Urban Development Institute of Australia (UDIA) WA is the peak body representing the property industry in Western Australia. It is in this capacity that we offer our submission to the Productivity Commissions Inquiry into the Conservation of Australia's Historic Heritage Places.

In preparing this submission UDIA consulted with its members to develop a consolidated industry view on the issues outlined in the Inquiry Terms of Reference.

This submission therefore outlines the general industry perspective in Western Australia in regard to the affect that heritage listing has on projects including financially and in terms of the approvals process when dealing with local authorities and the Western Australian Heritage Council.

UDIA members acknowledge the importance of conserving Australia's heritage places for future generations. Heritage places give the community an insight into our local and national history and provide excellent snapshots of the architectural styles of different era's which may otherwise be lost.

However the property industry does experience some difficulties when working on projects which incorporate sites or buildings of heritage significance. An overview of the key issues of concern to industry is provided below.

THE MAIN PRESSURES ON THE CONSERVATION OF HISTORIC HERITAGE PLACES

It is evident that there is mounting pressure on heritage areas and sites within Australia's capital cities, particularly as our population and urban areas expand, options for inner city living become more desirable and government planning policies move to towards growth restrictive models as they look to limit the negative externalities of urban sprawl.

In theory this type of pressure should make the redevelopment and reuse of heritage buildings increasingly attractive for both industry and the general public however it is evident that, despite the increasing value of many heritage sites (which are often situated in central and prime development locations, such as water front areas) both industry and private landowners remain reluctant to purchase or becoming involved with projects that are heritage listed or have potential heritage issues.

This is due to a number of issues including:

- A general perception that heritage listing is a negative impact on property rights because approval/listing bodies have an anti-development sentiment and this creates wariness in dealing with them and breeds an adversarial rather than consultative approach to resolving heritage matters.
- A limited understanding (among both industry and the general public) of the processes undertaken to list a property and to approve a development on a heritage listed site.
- A poor understanding of the impact of heritage listing on a property and the relationship and roles of the various local, state and federal bodies which are involved in managing heritage at the different levels.
- A general expectation among industry that they will experience delays in obtaining planning approvals for heritage listed sites (at both a state and local level) and that this will lead to substantial additional development costs due to blow out in timeframes.

These issues are outlined in further detail below.

THE ECONOMIC, SOCIAL AND ENVIRONMENTAL BENEFITS AND COSTS OF THE CONSERVATION OF HISTORIC HERITAGE PLACES

It is evident that, while the property industry recognises the benefits both socially and environmentally of retaining and conserving heritage sites for the future, the primary constraint to heritage protection is economic.

Industry is of the view that there are few if any economic benefits of retaining heritage buildings as part of a development project.

It is the view of the property industry that the impact of heritage listing on the value of a property is limited over the short term however it generally has a negative impact on value over the lifecycle of an asset, due to restoration and maintenance issues:

- Short Term Impact – generally none
- Medium Term – maybe negative

- Long Term - negative

However, where heritage listing does have a negative economic impact is in the cost impacts of the additional time and requirements necessary to obtain development approvals for heritage properties.

For example industry has indicated that, for a major project, they are charged approx. \$500,000 in interest payment per month near the completion of the project. Unforeseen approval delays at this phase of the development process therefore have very significant cost impacts on the developer.

As a result, developers do factor approval delays into their feasibility of the development of a heritage site. This can, in turn be factored into purchase of site and would then directly impact on the property's value. According to UDIA members they would usually expect additional approval delays of 2 to 3 months if developing a heritage listed property. If delays go beyond this timeframe it can have serious impacts on the economic outcomes of a development project.

Additional costs also arise in the cost of the extensive works that are required to renovate degraded and derelict heritage properties, to the standards required by heritage agencies and to make them suitable for public use. It was commented by a UDIA member that it would often be cheaper to rebuild heritage listed buildings to its original plan than to renovate it the standard required.

In regards to the additional marketing opportunities that might arise from the development of heritage properties it is evident that there is a sector of the market which appreciates and is attracted to the type of property which might be heritage listed, at whatever level.

For example, the predominant housing stock of Mount Lawley is an example of an area where the public perceives an enhanced value for property which has retained its historical integrity.

The recent redevelopment of a church in William Street, Perth and its augmentation with several apartments built in a compatible architectural style is also understood to have been very successful in the market.

If a heritage listed property is allowed to be redeveloped in a sympathetic manner, the impact of the listing may indeed be positive, however the answer to this question lies in the ability of the property owner to realise these benefits through the heritage approval process.

In regards to opportunities for tourism development to provide an offset to the economic constraints of development, the property industry is of the view that tourism options are not generally a sound economic investment (very few provide a substantial economic

return) and that the number of heritage sites that are suitable or in an appropriate location for tourism is very limited.

THE CURRENT RELATIVE ROLES AND CONTRIBUTIONS TO THE CONSERVATION OF HISTORIC HERITAGE PLACES OF THE COMMONWEALTH AND THE STATE AND TERRITORY GOVERNMENTS, HERITAGE OWNERS, COMMUNITY GROUPS...

The two main bodies that developers need to deal with in Western Australia when requiring approval to develop on a site that has heritage listing are the Heritage Council of Western Australia and the relevant local authority.

The Heritage Council establishes and maintains the State Register of Heritage Places and in this context provides advice to the Western Australian Planning Commission and local authorities on the development of heritage sites.

Local authorities are required under state legislation to develop and maintain a municipal inventory of heritage sites within the council boundaries.

There are significantly more properties listed on local government inventories than the State Register and, as a result for individual property owners, the majority of problems arise at a local level.

However, in regards to larger scale property development projects, issues appear to primarily arise for industry in negotiating clearances for conditional approval from the Heritage Council.

Heritage Council

Key comments provided by UDIA members in relation to the Heritage Council are outlined below:

- The Heritage Council generally take a prescriptive and non negotiable/ negative attitude toward property development on heritage sites from the outset rather than looking at the bigger picture of what a development could offer and how it could actually help conserve and better the property. Members of the council tend to be passionate about conserving heritage places and often cannot see the positive side to developing a heritage site as they are not commercially aware.
- There are examples of successful negotiations and outcomes in dealing with heritage issues however this does require the proponent to be proactive and to ensure that they engage the assistance of an experienced consultant and are open in dealing with both heritage officers and Councillors.

- Due to the general negative perceptions among industry members regarding heritage listing proponents are reluctant to be open with the Heritage Council and other heritage approval/listing bodies.
- There is a need for clear communication channels and transparency in decision making.
- Failure by the Council to meet published approval timeframes causes industry frustration and costly delays for development projects.
- There is a general view that the Heritage Council is under funded and under resourced and is not able to be able to speed up the approvals process.
- While the Heritage Council officers effectively consult with industry to develop an agreed project outcome there is a concern that these decisions are often overridden by the Heritage Council. In this context, developers have a perception that Councillors sometimes refuse projects without being fully aware of the current condition of the site and detailed aspects of the project in question.
- There is a need for the Heritage Council to give greater consideration to the economic and commercial issues associated with projects. It was suggested that the Heritage Council should include more representatives with commercial experience and business acumen, however there is a need to ensure that any practitioners on the Council have an appropriate level of experience and practice impartiality in their decision making.
- The Heritage Council does not have a champion to promote the benefits of heritage conservation and this creates a situation where the public and developers are unaware of the positive aspects of heritage conservation. For example the State National Trust which is a volunteer organisation gets more press than the Heritage Council because they have a more public representation.

Local Authorities

Industry concerns and issues regarding municipal inventories primarily relate to the lack of clear and consistent criteria for the assessment and inclusion of heritage properties.

Industry has expressed concern that authorities don't stick to heritage listing guidelines such as the Burra Charter/ Heritage Council criteria when making decisions, instead they make subjective decisions which can be politically motivated. This can lead to unnecessary conflict between a proponent and the local authority. The lack of consistency across different local authorities is also of concern to industry.

In regards to sites included on the State Heritage Register, industry has expressed concern that local authorities are unwilling to deal with development applications until the Heritage Council has made their final determination. This can lead to additional time delays and associated costs for the developer.

Community Groups

There is an industry perception that heritage is often used as a reason for halting development when heritage isn't truly the issue.

Industry believes that communities should be consulted by government in terms of what is important to them in respect to heritage in their area so that a comprehensive inventory is developed that is unchangeable no matter what government is in power.

THE POSITIVE AND/ OR NEGATIVE IMPACTS OF REGULATORY, TAXATION AND INSTITUTIONAL ARRANGEMENTS ON THE CONSERVATION OF HISTORIC HERITAGE PLACES

The property industry does not generally view monetary or other special compensation as necessary for developing heritage sites. However it is recognised that compensation and restoration grants are very important to encourage heritage protection at a private property owner level.

There is an industry view that the best incentive to encourage the protection and adaptive reuse of heritage sites would be to ensure that acceptable timeframes for approvals are met. Industry also supports incentives such as plot ratio and density bonuses as a suitable avenue for compensation.

Industry members have received grants to assist in funding the preparation of conservation plans for heritage projects and for co-funding heritage listed buildings. While the funds available through such grants are not substantial from an industry perspective, they do encourage good will and assist in developing improved relationships between the property owner and the Heritage Council.

However there is a perception that both industry and the general public are not aware of the grants or taxation incentives that are available to assist in the conservation of heritage properties and that they are not easily accessible. There is also a view that increased funding is needed to increase the availability of both grants and compensation to land owners, particularly individual property owners. There also may be opportunities for low interest loan options to be provided for the ongoing conservation of heritage sites.

POSSIBLE POLICY AND PROGRAMME APPROACHES FOR MANAGING THE CONSERVATION OF AUSTRALIA'S HISTORIC HERITAGE PLACES AND COMPETING OBJECTIVES AND INTERESTS

In regards to improving the conservation and management of heritage sites in Western Australia, UDIA makes the following recommendations:

- The development of a clear and transparent process for the assessment and approval of development and works proposals on heritage listed sites. To achieve this it is suggested that procedural fairness guidelines are published by the Heritage Council.
- The Heritage Council should prepare model conditions for development on heritage sites to provide proponents with a clear understanding of the types of requirements that may be necessary to obtain development approval.
- The Heritage Council should be more proactive in undertaking site visits, obtaining up to date information and working with proponents to identify mutually agreeable development outcomes for heritage sites.
- There is a need for statutory timeframes to ensure project delays are minimised and provide increased certainty in the development process.
- There is a need to provide more information to property owners regarding incentives that are available to assist in heritage conservation, such as conservation grants.
- There is a need for additional incentives for heritage conservation, such as tax breaks and low interest loans, particularly for individual property owners.
- The state government should increase the funding available for compensation and conservation grants to heritage property owners.

Thank you for the opportunity to provide comment on this issue. If you have any queries, or would like any clarification of any of the above points please contact me on 9321 1101.

Yours sincerely

Marion Fulker
EXECUTIVE DIRECTOR