

Heritage System and its Impacts on Commercial Property Management

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Executive Summary

The following report investigates the heritage system and its history, explaining how it has evolved over time and its principles and concepts of the system supported by an investigation into potential incentives available under the current system. The effects of heritage listings on commercial properties were researched in a case study of 98 Macquarie Street, Dubbo, NSW, explaining the restrictions placed on the property by the Heritage Act 1977, as well as finding out site specific issues with maintenance and development. Interviews were conducted to find that commercial property managers do alter their functions when dealing with heritage properties due to the added dimension of the heritage listing and the affect it has on the leasing market. Heritage listings do have a perceived economic detriment as many people view them as being associated with too much work and expense. Heritage properties were also found to not appeal to all potential tenants, which may detract from their leasing potential. Shortfalls were identified, the main issue being public awareness and perception of a heritage listing being negative, however conducting more information presentations and making heritage listed properties more consistent would make the heritage system more transparent.

Introduction

This report researches the current NSW heritage system, whilst looking at its history, and will explain the impacts a heritage listing can have on commercial property management. The impacts of heritage listings will be deduced from a case study of a commercial heritage property and interviews with professionals. Potential shortfalls and remedies will be investigated and conclusions made.

Heritage System

History and Evolution of the NSW Heritage System

The NSW heritage system development was caused by a movement led by Jack Munday in the 1970s, The Green Bans Movement, where they believed that heritage properties should be retained and preserved, there was no heritage list as such it was the union placing 'no work' labels on properties they believed to be of heritage significance, as there were many heritage places being demolished (Austin Jupp). Baskerville (2000) explained that an interim commission was set up in 1973 with a formal establishment in 1976 and with the formation of this commission a new system of grading heritage properties came about. The NSW Heritage Act was passed in 1977, however did not give authority to make heritage lists. From 1979 the heritage council made grant funding available to local councils to redevelop local heritage sites and in 1984 work was reviewed on funding to prepare a state historic preservation plan. Baskerville described a major change in 1985 where a ministerial direction was issued requiring LEPs to contain provisions for the conservation of listed heritage items attached to LEPs. This was a large change in legislation and identifying heritage properties and meant that councils could now identify local heritage properties in their areas. Baskerville (2000) also mentioned that the Athens Charter of 1932, which developed an idea that the need to properly research and document heritage places, has been incorporated in the official NSW heritage listing system since the mid 1980s. There were issues passing these in the 80s as they were very different to procedures that were in place before then and the public were not completely forthcoming with the change.

Although the first official State heritage register was established in 1984 there was not a statewide list until 1999, which led to great improvements in the heritage system up until the current day. This reflected a fundamental change in attitude to heritage conservation, as the heritage register of properties were listed to provide protection and certainty before a threat arises, whereas previously they were waiting until a heritage property was threatened to act. David Hornby informed us that recently LEP's have seen their heritage lists double in numbers, which he believes to be a positive step for the heritage system.

Principles and Concepts of the NSW heritage system

As stated in the Heritage Act 1977 the objects are to “promote an understanding of the State’s heritage, encourage the conservation of the State’s heritage, provide for the identification and registration of items of State heritage significance, provide for the interim protection of items of State heritage significance, encourage the adaptive reuse of items of State heritage significance, constitute the Heritage Council of New South Wales and confer on it functions relating to the State’s heritage and assist owners with the conservation of items of State heritage significance”. The act also describes that a property is of State or local heritage significance if, “in relation to place, building, work, relic, moveable object or precinct, means significance to the State in relation to the historical, scientific, cultural, social, archaeological, architectural, natural or aesthetic value of the item.” which clearly specifies property requirements to be listed. Austin Jupp stated that the ideal of these points was for a heritage listing a property must be highly individual in character and the decision must be entirely non-economic.

David Hornby explained that the heritage listing process is usually done by a local council, who will often have a heritage committee who decide which properties should be listed on the heritage register. The committee decides the reasons as to why a certain property should be heritage listed, whether it is of significance or aesthetics or another reason filling the criteria of the Act. The heritage committee will then give the list to the council who will propose the properties to the state through their LEP and the state will make the final ruling whether or not the property is listed.

Another way which a property can be heritage listed is by the owner themselves, who can apply for heritage listing through the heritage website if they believe their property is of heritage significance or aesthetics. This is uncommon as property owners usually do not want the hassle or additional costs of a heritage property due to their perception in the public. The State can, through the Heritage Council, declare properties on the heritage list if the property is of State significance.

Heritage Incentives

There are a range of incentives that are potentially available under the current NSW heritage system. David Hornby stated that an owner can receive a reduction in rates due to a 14G land value basis reducing the land value, therefore reducing the rates and land tax payable on the property. He also informed that grants from the government are available to maintain the property along with free professional advice for maintenance and development of the property. The environment and heritage website adds that heritage properties may be protected from future detrimental developments as councils will have to maintain the area as a heritage area. Through flexibility clauses in LEPs owners can also request councils to agree to land use changes, which may not be available to other owners.

Case Study

Introduction to Subject



- **Property Address**

The subject property is 98 Macquarie Street, Dubbo, NSW 2830

- **Title Reference**

Lot 101 in Deposited Plan 833808

- **Zoning**

B3 Commercial Core

- **Land Area**

519.4m²

- **Building Improvements**

Large 2 storey Victorian Italianate style building constructed in 1886, was the original Dubbo Post Office. The property includes many historical features including the clock at the top of the building.

Total building area of 547m².

The property has 2 private car parking spaces located at the rear of the premises.

- **Location**

The property is located in the Dubbo CBD opposite the Riverdale Shopping Complex. Dubbo is a Large Regional town located approximately 400km northwest of Sydney.

Stated Heritage Significance

The subject is the original Post Office building of Dubbo and remains virtually unchanged since 1886. The Italianate tower, with the clocks in it, is of aesthetic and landmark significance. The property presents a heritage street appeal from that era, and council wishes to maintain the property in that period of time.

Impacts of Heritage Listing on the subject

The properties heritage listing has detrimental impact on the subject as it has many restrictions in place for the whole of the property. These restrictions include maintaining street appeal, preservation of the Italianate tower, paint colours and many other aspects which must be maintained and preserved in their current state. Due to the properties heritage listing it is subject to more extensive and critical council policies and requirements for the property to meet approval for development.

Adjustments in Management for subjects heritage listing

Michael Carolan, managing agent, informed us that his functions are adjusted when he is managing a heritage listed property. He said that is mainly due to the fact that it is a finer niche market and must use different advertising mediums to find tenants, as tenants are generally after functional, ease-of-use of the premises and cheaper rents, which heritage properties do not normally provide. Heritage shops or commercial premises may not provide the right environment for a large number of tenants also because a tenant wants their building to have a similar vibe to what they are trying to sell or promote. For example IT company's would not like to be trying to sell their cutting-edge technology in a heritage listed building due to the different vibe between the product and the building.

Heritage properties usually undergo a more extensive marketing program to reach this niche market therefore they are usually more costly to lease than a normal commercial premises and they are also known to have longer letting up periods between tenants, because of the finer market they appeal to. Whilst a heritage listed property is being tenanted commercial property managers must be aware of the maintenance and condition of the heritage property as it is not allowed to be derogated or deteriorate and must be maintained at a high standard at all times.

Perceived Economic Impact of Heritage Listing on Subject

Michael explained that the property also is very dated and will require a fit-out, which has not been done because of the extensive costs that would be involved with the property due to the heritage listing. This does not appeal to a potential purchaser or lessee, as they are predominantly after a modern and more functional fit-out. The costs and inconvenience involved with this property are the reason it has struggled to sell and/or lease. Michael informed us of the large maintenance costs due to the copper roof paneling, which cannot be pulled out and replaced but must be maintained.

Michael also informed us that there was no plumbing downstairs in the property, and to run plumbing downstairs would be an extensive renovation requiring an expensive development approval and labor costs and that to make the building OH&S compliant could incur more expenses and inconvenience. He explained that most of the economic impact is perception rather than actual economic impacts as well restored and maintained heritage properties will often achieve a higher rent for the right tenant due to

the features a heritage property can provide and due to the location most of them are in, being CBD areas.

Conclusion

The NSW Heritage system is efficient in achieving its intended result through its underlying principles and conserving properties of significant State or local heritage. The main issues with the heritage system are public awareness and transparency of the system. This could be improved through public awareness forums further detailing potential benefits of a heritage listing and the reason we preserve significant properties. Another shortfall of the heritage system is funding as there are many properties applying for government grants but only a small percentage receive them (Austin Jupp).

The transparency of the system needs to be improved so the system remains consistent to develop public support of the system. Heritage listings do affect commercial property management as managers must change their approach to appeal to the right market. The market is also more likely to be smaller as some tenants are after a modern fit-out that is functional. The main drawbacks for heritage listings in commercial property is the costs involved with all aspects of the property, mainly development and maintenance of the heritage significance.

Annexures

Reference List

- Baskerville, B 2000, 'Heritage Listings in New South Wales: A Brief History', *NSW State Government*, viewed 3 April 2013, <http://www.environment.nsw.gov.au/resources/heritagebranch/heritage/infolistinghistory.pdf>
- Davison, G & McConville, C 1991, 'A Heritage Handbook', *Allen & Unwin*, St Leonards, NSW.
- The Heritage Act 1977 No 136.

Bibliography

- Austin Jupp, CPV, FAPI, Registered Valuer No. 1739 – Austin gave information on some basic history of the heritage system, the principles and requirements of heritage properties and shortfalls and potential remedies of the heritage system.
- David Hornby, CPV, FAPI, Registered Valuer No. 24212 and member of the Wellington Heritage Committee – David gave basic information on the history of the heritage system and provided insight into heritage incentives, shortfalls and remedies and the process of listing a potential heritage property.
- Michael Carolan, Managing agent of the 98 Macquarie Street Dubbo – Michael explained the impacts of a heritage listing on perceived value, how he adopts his approach for heritage properties, the impact of the heritage listing on the property, potential issues with maintenance and costs involved with the property.