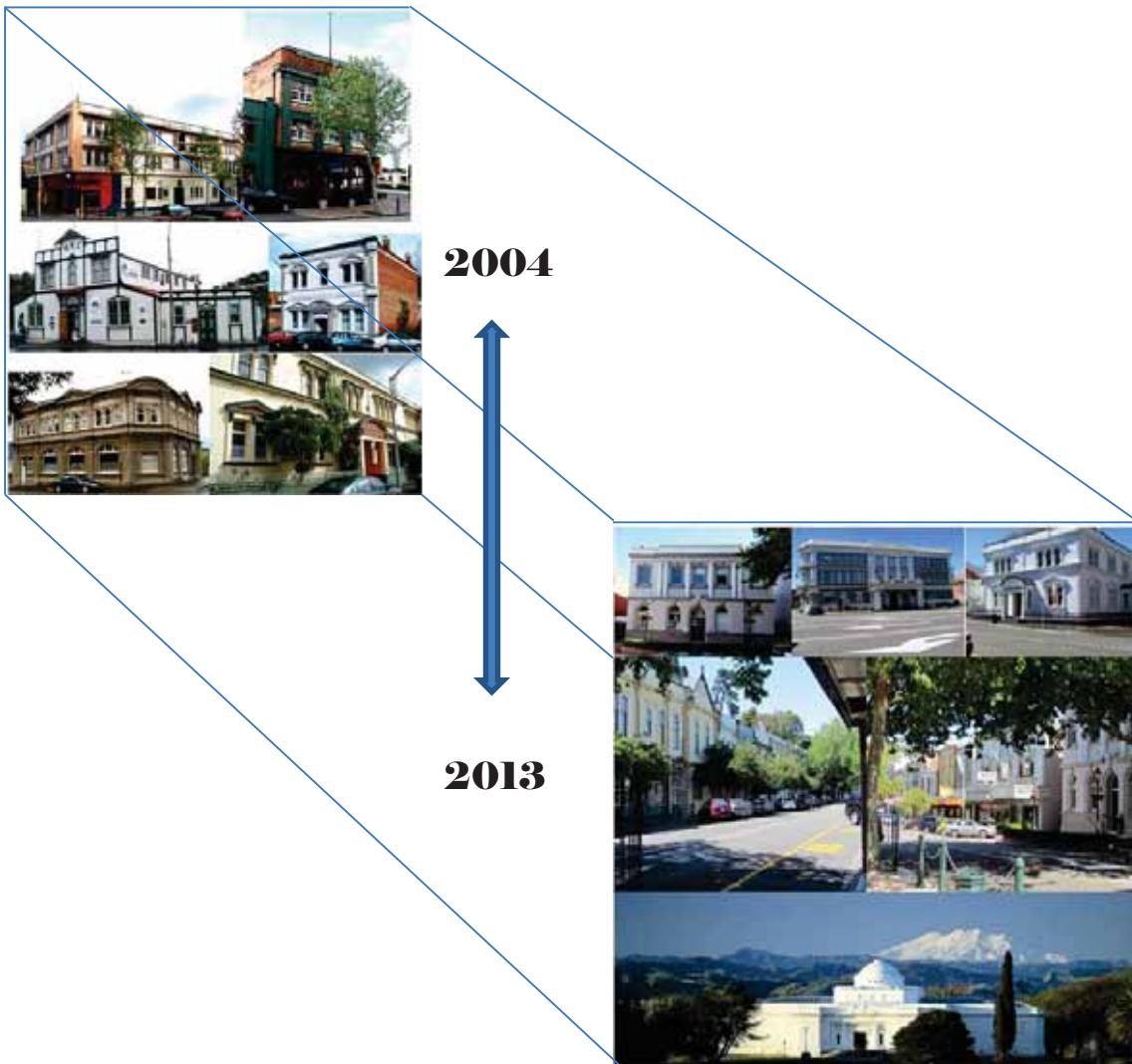


The Value of Built Heritage Assets in Wanganui

An Update — 2013



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INTRODUCTION

In 2004 a report was commissioned by the Wanganui District Council (WDC) which sought to establish the value of the built commercial heritage of Wanganui City, its contribution to the economic well-being of the Wanganui District and the potential role of the Wanganui District Council (WDC) to its maintenance, possible restoration and use.

The present report updates that work and expands its scope in a number of tightly delineated and specific areas. The genesis of the original report lay in pressure which was beginning to grow significantly in respect of:

- a. The development and intensifying of commercial activity in the CBD of Wanganui City;
- b. The then widely held view that the city's built heritage is a prime social and economic asset which offers the city a competitive advantage which should be preserved and exploited; and,
- c. The recognition that the policies and actions of local government (primarily those of the WDC) are central in either achieving or frustrating the objective set out in (a) above.

Those concerns have not altered and to that extent the present report provides a simple given change over the previous eight years.

There are additional factors which have emerged in the interim which alter substantially the nature of the original task and which have implications for the questions posed originally. These are:

- a. The Christchurch earthquake events and subsequent responses. Wanganui is characterised by a significant number of earthquake-prone buildings and both the Christchurch events themselves and the response have significant implications for the public and the private sector in Wanganui;

- b. The related necessity to strengthen and refurbish the Sarjeant Gallery which has arisen as an implication of the Christchurch earthquake responses, is a major project in its own right but which also crystallises the nature and extent of the impact of heightened earthquake awareness; coupled with,
- c. The fact that the years since the first report have been characterised by a Global Financial Crisis and subsequent recession of larger proportions than any since the 1930s depression. These phenomena form the backdrop to development in Wanganui over the period since the first report was completed.

SUMMARY AND CONCLUSION

The principal conclusions to emerge from this update are that:

1. The value of the heritage asset has changed little since 2004 with its growth being slightly ahead of other asset values in the economy. ***Built heritage remains an important asset with the capacity to add significantly to the economic value*** generated through tourism;

But

2. The economic context surrounding the heritage asset, the framework for its management and the environment for responding to threats to the asset is about to change immeasurably. ***Almost inevitably new responses both public and private are likely to be needed if the value of the portfolio is to be maintained and grown.***

The twin challenges posed by economic conditions coupled with the expected impact of new regimes to manage existing and future seismic risk present the greatest of challenges but also the greatest of opportunities.

The current estimate of the full value of the heritage asset to the city's economy is in the region of \$40m annually.

Several responses are possible. These demand a broader view of how heritage value can be retained and grown with the “flagship” concept outlined in the 2004 Report now assuming arguably the most important role in public domain responses likely to be acceptable and workable for WDC.

The outstanding showcase project which might lead a post GFC and earthquake strategy through the strongest analytical and operational demonstration of value is the Sarjeant Gallery Project.

REPORT STRUCTURE AND FRAMEWORK OF ANALYSIS

Wherever possible the broad format and content of the original 2004 Report has been followed to facilitate comparability. In some cases this has meant simple updating of economic and like data. In other areas only slight alterations have been made. Where direct comparisons are not possible or are subject to ambiguity this has been noted.

Apart from comparability the original format has been followed reasonably closely because the development of a strong community understanding of heritage assets, their value and their management is a continuous process and there is therefore a benefit in ensuring that updated data is analysed and presented in a comprehensive rather than isolated context.

The update has been prepared on the following basis:

HERITAGE CONCEPTS

As part of the examination of the value of built heritage and its relationship to economic well-being the original report introduced several important concepts about the nature of heritage, built heritage and processes associated with heritage. The treatment and broader understanding has seen some

development since the time of the initial report. Such development forms part of the update and is reported accordingly.

TWO FUNDAMENTAL DRIVERS OF CHANGE

Without doubt the major drivers of change since the 2004 Report took place well beyond the confines of Wanganui and the detail of its heritage assets portfolio but were events of such magnitude and relevance as to alter fundamentally the environment in which those assets now stand, their relationship to the community and its economy, and the prospects for the future of the portfolio.

THE GLOBAL FINANCIAL CRISIS (GFC) AND RECESSION

The GFC and subsequent recession generated an unprecedented slowdown in economic activity, changed priorities for resource allocation and set new limits on what might be possible and desirable.

Processes triggered by the GFC (for example the lowering of interest rates to unprecedented levels) have altered and continue to alter the economic landscape immeasurably. Wanganui has been far from immune to such change and heritage assets and their prospects have been affected accordingly.

THE CHRISTCHURCH EARTHQUAKE EXPERIENCE

An even more directly relevant chain of events was triggered by the dramatic and far reaching events surrounding the two severe earthquakes, the loss of life and property and the subsequent responses to a series of earthquakes in Christchurch.

As well as the devastating human consequences and tragedy occasioned by these seismic events, a further consequence was the initiation of an entire reappraisal, at a national level, of appropriate responses to seismic events and most significantly seismic risk and threat.

This reappraisal (and it is as of this writing in mid-stream) affects the Wanganui heritage portfolio directly as part determinant of the very survival of some components of the portfolio and part determinant of the future of the remaining components.

The value implications for the heritage portfolio are difficult to underestimate.

CRYSTALLISING CHANGE: THE SARJEANT GALLERY

Sitting squarely amidst the joint impacts of the Christchurch earthquake responses and the economic impacts of the GFC is Wanganui's prized Sarjeant Gallery. The gallery – its life and its built assets – form an internationally renowned asset which is now under such threat as to have made a substantial and comprehensive public policy response both critical and inevitable.

The building itself no longer complies with even the most generous reading of appropriate responses to seismic risk with the failure to comply now deemed to threaten the health and safety of staff, the numerous formal institutional users of the complex, casual users, the general public and of course the collections and artefacts which make up its asset base.

The WDC is in the midst of developing and implementing a comprehensive response to the myriad issues surrounding relocation of the collection, the upgrading of the physical infrastructure and building, and the funding of the required responses.

The need to produce a response for the Sarjeant throws into sharp relief the policy decisions, the trade-offs, the technical challenges and the funding demands of dealing with heritage assets as a whole for the community.

Moreover acceptable solutions and responses are having to be devised in the light of the economic climate generated by the GFC and subsequent recession.

Demanding and all as the environment which this creates may be and challenging as the urgency surrounding the Sarjeant Gallery is, it may be that the resulting focus, energy and passion being applied in this area will ultimately lead to sharper and more timely responses than might be experienced elsewhere.

In short the lessons being learned may be of the toughest variety but may prove to be the most valuable for the community.

PART I: BUILT HERITAGE ASSETS AND THE WANGANUI ECONOMY

Part I deals with updating the assessment of the Built Heritage Assets and its relationship to the Wanganui economy. An understanding of the economy is important because it is in its interaction with that economy that the built heritage portfolio of assets acquires its value to the community.

PART II: THE ECONOMIC VALUE OF BUILT HERITAGE

Part II sets out the framework for considering The Economic Value of Built Heritage. The value of the built heritage asset is not immediately obvious (by comparison for example with "famous" tourism assets such as "Geyserland" in Rotorua, the Treaty House or the Southern Lakes).

All parameters of the framework have been reviewed and updated where necessary. The original concepts deployed to value heritage have not been altered significantly. The technical specifications of some elements of the framework have been updated to reflect current conditions.

Wanganui's asset is briefly described and an illustrative case study of the economic issues is provided as applicable in 2013 (as opposed to 2004).

PART III AND IV: TOURISM AND THE VALUE OF BUILT HERITAGE ASSETS

Part III and IV deal with updating aspects of Tourism activity and the Value of the Built Heritage Asset for the Wanganui economy. The valuable performance of this sector is quantified so that its importance as a source of environmentally and socially benign economic development can be seen along with the way in which the built heritage assets can contribute to that.

The means used originally for valuing the additional benefit which the asset provides is assessed. A revised value is placed on the built heritage asset itself.

PART V: MULTIPLIER EFFECTS AND TOTAL ECONOMIC IMPACTS

Multiplier Effects and Total Economic Impact was reassessed so as to estimate the impact of tourism and therefore the built heritage asset on the wider economy showing the impact on district economic output, income and employment. A revised estimate of the total value to the community is established.

PART VI: POSSIBLE WDC RESPONSES

PART VI revisits possible WDC Responses and some of the tools available to the WDC in seeking to manage the built heritage asset. This assessment is made in the light of observed progress since the time of the first report and the new challenges facing the WDC in 2013 (see also Sarjeant Gallery Project).

CONCLUSIONS AND POLICY ISSUES

As with the 2004 Report, recommendations are developed in the form of a draft Framework for a Heritage Management Strategy. This framework is provided as a means for promoting and structuring debate.

PART I: BUILT HERITAGE ASSETS AND THE WANGANUI ECONOMY

The point of the departure for the original report was that the value of the built heritage of Wanganui should be understood in the context of the city and district economy and its performance. That perspective has been retained in the update because the extent to which that value is large or small hinges on the interaction of the assets and the operations they underpin with the rest of the economy¹.

Heritage assets, like other assets, provide infrastructure for social and economic activity. Their value is therefore determined by the intensity and value of the social and economic exchanges they underpin. Discussion of built heritage assets and policy in respect of them should therefore proceed with an understanding of the structure and functioning of the local economy in mind.

OUTLOOK 2004 – LAST REPORT

Appendix I provides a summary of the development of relevant aspects of Wanganui's economic development. Of immediate relevance to the current report is the state of the district economy as assessed in 2004. This was summarised in the original report as follows:

The last two years however, have seen a significant pull back. Valuation statistics show land values to have improved, the most recent business surveys show confidence to have grown significantly and employment rates appear to have improved.

The primary reasons for this turnaround have been a combination of:

¹ This report, like the 2004 report, is primarily concerned with the economic and commercial aspects of built heritage assets. This should not be taken as any indication that the assets do not have, or that the authors are not mindful of the social, cultural and other non-economic or at least non-commercial value of the assets. It merely reflects the focus of the report.

- *Generally improved economic performance throughout the economy,*
- *The adaptation especially by manufacturing firms to niche markets including export markets,*
- *The stabilisation and growth in the strength of local and central government linkages with businesses,*
- *The harvesting of ongoing promotion initiatives of the WDC which have improved the image of the area thus helping stem out migration while attracting migrants seeking lifestyle.*

Significant optimism was expressed in respect of future prospects as follows:

There are reasons to believe that this economic pickup in performance is likely to continue given:

- *The increasing impact of electronic communication in reducing the significance of distance as a locational factor along with reduced dependence on unskilled labour,*
- *The lowered incentives to leave the area and its lifestyle given an ability to operate commercial activity as successfully from Wanganui as from anywhere else, and,*
- *The continued sharp disparity in living and business costs as between Wanganui and the major urban areas notably Auckland.*

These factors combine to suggest positive potential provided that is capitalised upon.

What was not apparent in 2004 was that the authors were writing on the eve of what was to become the single largest global recession since the 1930s.

GFC AND RECESSION

The origins and effects of the Global Financial Crisis (GFC) have been well documented in detail in various literature. For the purposes of this report the briefest of expositions only is required.

The GFC began as a crisis in finance originating with defaulting sub-prime loans in

the residential and business sector in or around 2005. For the purposes of this update it should be noted that the GFC began after the report and the WCC's consideration of the 2004 report.

The GFC expanded rapidly from housing in the residential sector in the United States into other classes beyond property and equally rapidly beyond the shores of the US. The primary cause of this contagion was the fact that asset managers faced with defaults in many loans and the cash implications of those needed to free up funds.

Funds associated with defaulting loans and non-creditworthy assets rapidly became illiquid with the result that asset managers were "forced" to liquidate their most creditworthy and valuable assets. Once such assets are liquidated the overall value and quality of the portfolios concerned declined triggering a spiral effect.

The result was a large number of defaults, the collapse of various debt markets and debt dependent businesses and a cessation of investment.

The process rapidly grew outside of the finance sector with the result that recessionary conditions began to emerge. Within a relatively short period of time a full blown recession had set in the magnitude of which rivalled the depression of the 1930's.

As was the case then the general experience was one of high levels of unemployment, high levels of business failure, high levels of default on short medium and long term credit, closing down of new investment, the disappearance of new starts and a broad commercial slowdown.

Worst hit with recession was the EU followed by the United States. Japan's economy remained in the moribund state it has been in for a decade and a half and at first Asia – largely unaffected because of China's strong financial performance – eventually felt the chill of the recession as well.

Both New Zealand and Australia, contrary to common media opinion and comment, did not suffer as severely as the EU and the USA. In the case of Australia protection was afforded by the continuing minerals boom (especially in coal and minerals supporting the steel industry in China) and the strength of demand from China.

In New Zealand, the full effects were diluted by the fact that the country had a reasonable deficit (on a comparative basis) and agri business most notably dairy continued to perform very strongly over the period.

Nonetheless in New Zealand – a small and vulnerable economy by comparison with others – the effects were bound to be felt sooner or later and indeed they have been.

There is an urgent need to bring the Government's accounts to balance or surplus and in a reasonable timeframe, unemployment rates remain stubbornly being in the 6.5% to 7% region and investment has slowed to a trickle.

Wanganui – rather like New Zealand as a whole – has been shielded from the worst effects as felt in the United States. The Wanganui economy has been flat, investment has been at a low ebb, unemployment rates have remained relatively high and confidence has been flat.

WANGANUI ECONOMY AT PRESENT

The following summarises the position of the Wanganui economy as at 2013².

Throughout the period of relatively flat economic activity between 2004 and the present, Wanganui's economy has exhibited both structural characteristics and performance which has remained largely unchanged.

To understand the value of tourism to the Wanganui economy and to place built

heritage in some perspective it is helpful to consider:

1. The current structure of the Wanganui economy; and,
2. The recent performance of the economy.

So as to retain as much consistency with other work available to the WDC the recent Infometrics report has been used to fill out this picture.

PERFORMANCE

The Infometrics update suggests the following summary:

- GDP growth of 1.8% between 2009 and 2010 per annum ranks the area at 15th out of 72 TA's in terms of growth rate;
- GDP was estimated to be \$936m in 2010, showing 1.8% growth from a year earlier;
- GDP growth of 1.8% in the year to March 2010 ranked it number 24 among the 72 territorial authorities;
- The forestry and logging industry was Wanganui's fastest growing industry in the year to March 2010;

Manufacturing was the largest sector in 2010 accounting for 14.9% of total GDP, followed by wholesale and retail trade (11.9%) and business and property services (10.3%).

TOURISM

The tourist sector has experienced flat to relative decline. That result is consistent with world and national (N.Z.) experience for the sector. Several factors have contributed to this. Moreover these have compounded such that the last decade has been one of the most difficult decades in recent times.

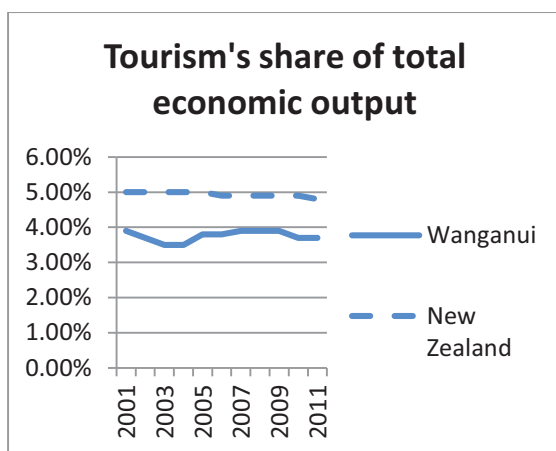
Commencing with the events of 9/11 and its aftermath, tourist travel, particularly by westerners suffered a sharp decline from which recovery has been slow. Just as recovery was gaining in momentum in the sector the GFC and recession began to be felt.

That the industry has suffered as little as it has in NZ and in Wanganui shows that:

² Greater detail can be found in the Infometrics analysis undertaken for WDC. *Annual Economic Profile Wanganui 2011*.

- The declines should be seen in a relative sense which demonstrates the underlying strength of the sector. Other sectors experienced sharp negative performance (for example finance and property) with declining asset values; and,
- With strong underlying fundamentals (demographic factors, the freeing up of leisure times, high levels of discretionary income), it can be expected that strong growth rates will return to the sector.

The following table shows the contribution of tourism within the Wanganui economy:



In terms of growth the output growth statistics show the way the Wanganui economy has tracked the NZ economy in recent years with Wanganui tourism being less variable (both up and down).

Growth	2007	2008	2009	2010	2011
Wanganui	-0.1%	-0.2%	-0.9%	-3.4%	-0.7%
New Zealand	0.6%	3.2%	-1.3%	-1.7%	0.6%



This less variable character is likely to reflect the relative dominance of the less volatile domestic market for tourism.

The table on the following page shows the structure of GDP output and FTE (full time equivalent Employment) in the district economy.

Employment and GDP by broad industry (2011)						
	Employment			GDP		
	Positions	% of total		GDP (\$m)	GDP (%of total)	Share of Total
	Wanganui	Wanganui	New Zealand	Wanganui		New Zealand
Agriculture, fishing and forestry	1006	5.2%	6.6%	75	8.1%	6.4%
Mining	0	0.0%	0.3%	0	0.0%	1.1%
Total Primary industries	1006	5.2%	6.9%	75	8.1%	7.5%
Manufacturing	2959	15.3%	10.8%	137	14.7%	12.0%
Electricity, gas and water supply	79	0.0%	0.4%	23	2.5%	2.0%
Construction	1579	8.2%	7.5%	53	5.6%	4.2%
Total secondary industries	4617	23.9%	18.7%	213	22.8%	18.2%
Wholesale and retail trade	3233	16.7%	17.6%	115	12.3%	13.2%
Accommodation, restaurants and bars	870	4.5%	5.2%	11	1.2%	1.4%
Transport and storage	532	2.8%	4.0%	24	2.5%	4.6%
Communication services	197	1.0%	1.2%	38	4.1%	6.3%
Finance and insurance	325	1.7%	2.7%	45	4.8%	7.4%
Business and property services	1411	7.3%	15.0%	87	9.3%	14.6%
Government administration and defence	932	4.8%	3.5%	64	6.8%	5.0%
Education	1749	9.1%	8.0%	44	4.7%	3.4%
Health and community services	2862	14.8%	10.3%	94	10.1%	5.7%
Cultural, personal and other services	1577	8.2%	6.9%	31	3.3%	3.1%
Ownership of owner-occupied dwellings	0	N/A	N/A	66	7.1%	6.7%
Unallocated	0	N/A	N/A	29	3.1%	2.9%
Total tertiary industries	13688	70.9%	74.4%	648	69.3%	74.3%
Total	19311	100.0%	100.0%	936	100.2%	100.0%

The table shows that:

- The dominance of the service sector (71% in 2011) identified in 2004 remains with considerable emphasis on government based activity;
- While the data are gathered on a different basis to that used in the 2004 Report (and thus not comparable to those figures) sectors contributing to tourism still account for a significant proportion of activity – using these data and methods perhaps 10% - 15% and thus very significant; and,
- Once government-based activity is removed from the structure the relative significance of tourism grows. While that increase in importance is a function of arithmetic at a mechanistic level, its importance lies in scope for growth given that the traditionally disproportionate presence of government activity in Wanganui is expected to decline.

PART II: THE ECONOMIC VALUE OF BUILT HERITAGE

As was the case in 2004, the literature which focuses on heritage in general and built heritage in particular is characterised by an absence of clear and concise definition. The term built heritage (built being but one of several types of heritage) is used in different ways depending largely on the author's purpose.

Many have pointed to the fact that the term can therefore mean "everything and nothing." (Hewison's 1987 statement that heritage means "anything you want"³ is as apposite in 2013 as it was in 2004 and indeed in 1987).

DEFINING BUILT HERITAGE

The report retains the three characteristics of the concept used in 2004 since they impinge on the public policy concerns related to the value of the built heritage asset. These are:

- a. The purpose driven restriction of the focus of this report on built heritage. Heritage and the heritage industry, have numerous concerns – literary, historical account, art and artistic endeavour, music and so on⁴. In this report the concern is purely with the built environment and, yet more restrictively, that built heritage developed for commercial or (in small quantities) civic administrative and functional purposes in the WDC area.
- b. Heritage is derived or associated with numerous factors – such as culture, religion, technology, events, music or visual arts. The focus in this report is on historic heritage – that is heritage which derives its value in significant measure from events, processes, lifestyles and characteristics of the past.

- c. Heritage, including and perhaps most evidently built heritage, is commonly associated with assets under threat. The threat of imminent change is frequently the catalyst for a reappraisal in value. Much of the emotive nature of conservation management debate stems from this perception of threat characteristic. Equally the desire to adopt public policy instruments in respect of heritage asset management arises from perceived or actual threat as well.

Summarising, the report is concerned with historic built heritage which was developed primarily for commercial or civic or administrative purposes in the Wanganui District Council area.

For present purposes, two types of heritage asset may be defined.

ICONIC HERITAGE

Possibly the most readily understood and analysed form of built heritage involves iconic heritage – buildings or like edifices which symbolise or stand as metaphors for significant events (usually but not always historical events).

Thus buildings such as the Buckingham Palace complex in England, perhaps Government House in New Zealand, certainly the Treaty House in the Bay of Islands New Zealand or the White House in Washington DC, are icons representing (variously) concepts, principles and historical events related to monarchy, settlement relations and republicanism (in the cases cited).

CONTEXTUAL (BUILT) HERITAGE

A completely different class of built heritage asset may be termed contextual heritage. The term "context" is used to refer to the background which while less obvious than, say a statue or other icon, is unable to be ignored. The context creates the atmosphere and feel of the environment.

³ Hewison, R. *The Heritage Industry*, London, Methuen, 1987

⁴ See for example Fountain, J. and Thorns, D.C. "Heritage Tourism and New Zealand Cities", in Perkins, H.C and Cushman, G. (eds) *Time Out?*, New Zealand, Longman 1998.

Key elements of contextual heritage are summarised in the following table:

Element	Explanation
Portfolio character	The contextual heritage asset may be thought of as a portfolio. Judgements about individual components of it need to be made in the context of the portfolio.
Portfolio value	Value of the portfolio is likely to be greater than the sum of the individual components especially as valued via an individual property valuation template. Such templates do not generally take account of the portfolio.
Diversity amongst different time periods	No collection of buildings is fully consistent as to style and period, if for no other reason than that development takes place through time. The assets will therefore exhibit development during different periods of time.
Diversity within "style periods"	There is often considerable diversity within a given period and especially in developments which take place over "transitions". The built heritage portfolio can therefore be expected to exhibit different features and interpretations within a style such as Victorian or Edwardian.
Collective nature	The value inherent in built heritage is (as noted above) a collective rather than individual building phenomena. Coherence is therefore an important element in the value of the portfolio.
Cumulative value	As noted below the development and erosion of built heritage assets tends to be a cumulative process so that any one individual development or demolition or "out of style" alteration may, at an individual level seem of no great moment. Cumulatively however the impact can be significant.
Incremental value	Development, virtually by definition, is primarily an incremental process ⁵ . Thus the development of collective and portfolio value occurs incrementally. Equally, loss of portfolio value occurs (or can occur) through the piecemeal loss of built heritage assets.
Coherence value	Value is likely to be enhanced where there is consistency of style and development such that an integrated and coherent impression is created and preserved. Perhaps more importantly, where coherence is lost via ad hoc peppering of styles over time.
Group Character	The character imparted by built heritage can be attributed to the existence of a group of buildings of like style. Classic examples include row housing and planned estates. The character (whether deemed favourable or unfavourable) arises by virtue of the fact that a group exists, normally in close proximity.
Value and Impact is an Integrated Concept	The value and impact of built heritage may not necessarily be tied to any specific architectural, stylistic or development related component of the whole. Instead it is the particular combination within a single building or as between several such buildings which lends an idiosyncratic character and value.

⁵ Occasional exceptions arise where a complex (for example a state housing development or a mall) of significant size is constructed as one "project".

The significant literature which addresses typologies, taxonomies and classification scheme related to this are beyond the scope of this report. Moreover existing work undertaken by the WDC in respect of its Resource Management Act 1991 obligations has addressed this. It is also addressed in the initial heritage assessment undertaken for the WDC in 1990⁶.

CHANGES SINCE 2004

Key changes since 2004 have, if anything, involved a broadening of the concept of heritage emphasising the irrelevance of subjective views as to merit (architectural or aesthetic for instance) by comparison with the fact that heritage including built heritage, spans the breadth of the human experience.

The WDC too has extended its work on heritage and the nature of its heritage assets. Much of that work was led by local heritage expert Wendy Pettigrew who has been active in documentation, research, developing active elements of heritage appreciation and related activity.

Consultancy Opus International has built and extended this work with a major review in 2012.

As noted since 2004 it is likely that the broad understanding of the concept of heritage has developed and expanded. In 2004 and more particularly in days earlier than that issues around built heritage tended to be framed as arguments about whether to demolish or preserve a building. That framework is relatively narrow and as interest in heritage has broadened so too has the framework within which it is thought about.

The relevance of this to Wanganui's built heritage is that:

- It offers a broader context in which to place built heritage and therefore as part of a premium tourist experience (in line

with the valuation model adopted and described later in the report); and,

- It means that the way in which built heritage is thought of has to now incorporate more than simply buildings.

Some of the factors which have led to this expansion help understand its meaning and likely implications. Those factors include things like additional government expenditure and interest in cultural and heritage matters – expenditure on Anzac Day commemorations and historical analysis of those are one example, another is the extensive historical analyses which have emerged from the Treaty settlement processes in relation to specific claims.

In tangible terms what this meant is that significant financial and related investment has been made in artefacts and relic assemblages such as the Carillon, museums, the curation of museums under new principles and guiding themes, the collection, display, transforming to digital form of historical material and application of a wide array of new methods to presenting, interpreting and providing for heritage experiences.

Central to this expansion has been the notion of integrating numerous elements both tangible and intangible into heritage experiences. Built heritage is no exception. A simple example is the incorporation of narrative history into the way in which we experience built heritage.

Where in the past (in 2004 for example and earlier) the information about heritage buildings at the sites on which they are located tended to be limited to a simple plaque with the name of the building and possibly a date at which it was thought the building was first constructed. It has now become much more common to provide additional information and most recently to provide such information in new forms so that a much richer and more accessible narrative is possible.

⁶ Stewart, D. and Cochran, C. *Wanganui Heritage Study*, WDC 1990.

Examples include the provision of photographs, the provision of detailed historical accounts including illustrative material such as maps and diagrams, adding accounts of contextual historical events which improve understanding of the social and economic circumstances prevailing at the time of the construction of buildings.

Probably the leading and unsurprising edge in this area is provided by museums and their curation. From the rich narratives provided in museums such as the Reserve Bank of Australia's Currency Museum (which documents the social and economic development of Australia as seen through the eyes of its currency evolution) to the refurbishment of what was known as the Early Settlers Museum in Otago (now known as the Toitu Otago Settlers Museum) which involves a significant number of digital displays, photos, and other relatively "new" means for providing heritage experiences, museum methods and approaches have led the way in integrating the many components which contribute to heritage into broader richer experiences.

In respect of built heritage in Wanganui this is important because:

- It means that the issues to be considered extend beyond simple preservation versus demolition;
- It provides for an increased scope and scale of activity;
- It essentially expands the economic value of heritage assets and their presentation as a tourism experience;
- It provides new means to promote and retain heritage value relative to the more simple approaches of the past;
- It moves the burden of funding and involvement from a simple and clear public sector responsibility to a broader domain which incorporates the private sector.

Perhaps ironically this expansion in scale and scope comes at a time when fiscal imperatives and the likely fallout in earthquake policy

mean that a much more flexible approach to dealing with built heritage is required.

A simple example – and it is expanded below – is the fact that certain circumstances may dictate that some buildings simply have to be demolished because of earthquake risk. This combines with the extremely limited availability of funding to offset the losses of demolition. On the other hand the development of relic and multiple artefact heritage experiences means that something of the value originally inherent in the buildings may be able to be preserved and capitalised upon in ways which were not possible when more crude views of heritage were held.

These changes create significant challenges but at the same time provide exciting prospects, which may be well tailored to the reality of developing heritage assets around the built environment.

THE WANGANUI BUILT HERITAGE ASSET

The existing built heritage of Wanganui might be described as "unique, valuable but under threat." The area of primary concern in this update remains as it was in the 2004 report, and is known as the "Old Town". It consists of an area in the central and fringe business district of the city characterised by late Victorian, Edwardian and Edwardian transition commercial structures.

The key features of such heritage are well documented generally (see below) but for present purposes it should be noted that the structural characteristics of importance include:

- Architectural styles of form and detail typical of the periods
- Exterior cladding and materials typical of the periods
- Collective street frontages presenting built images typical of the periods
- Characteristic site positioning, building scale and arrangement
- The coherent nature of the assets making up the portfolio of built heritage

- The built form is complemented by other heritage assets such as archaeological sites and cultural heritage items.

At the same time the asset reflects the passing of time and at present various threats to the asset and its value exist because of:

- Poor maintenance and deferred maintenance resulting in some structures being in a state of disrepair with resultant generation of high costs to return the assets to an acceptable condition,
- Potential demolition because of either the costs identified above or the perceived or actual cost of refurbishment as opposed to “green fields” development on sites which are all of (at least potentially) significant commercial value,
- Cost and other incentives (naïve modernisation without regard to collective value) to undertake out-of-style renovation, adaptation, re development or alteration, and,
- Incompatible new development in proximate areas leading to detracting of value attaching to existing assets.

Factors important in respect of these threats are:

- No one single factor on its own may be of overwhelming importance at any one time as a threat to heritage asset value,
- The presence of any one or even a combination of threat factors in respect of one building or site, may constitute, on its own a threat.

But:

1. The combination of threat factors across the combination of sites over a period of time have the capacity to reduce value significantly to the point where the portfolio of assets becomes of little value and, indeed, for individual sites a liability given the cost of demolition, and,
2. Incremental losses erode and degrade the value of the portfolio perhaps at a rate which is not readily discernible but nonetheless is both material and significant.

3. In addition, the physical environment poses threats arising from the combination of land instability inherent in the unconsolidated river deposits which characterise much of the relevant land and the earthquake prone nature of the region.

Finally fire hazard poses a significant threat to the assets as well as to public health and safety, and has been a problem in the past.

Both fire threat and earthquake risks are exacerbated by:

- The construction technologies of the time when original buildings were developed with extensive use of brick, un reinforced masonry, and wood as an external cladding material, and,
- The close proximity of buildings one to another creating the potential for a domino effect in the case of both fire and earthquake.

The two primary factors to impact on the state of the built heritage asset of Wanganui since 2004 have been the GFC and subsequent recession, and the alterations in risk perception and management occasioned by the Christchurch earthquakes.

IMPACT OF RECESSION

The key impact of recession on the state of the Wanganui built heritage asset has involved a classic case of it being “an ill wind that blows nobody any good”.

Certainly it is the case that public expenditure (for example through funds raised and deployed by the WDC) has come under extreme pressure, private commercial and industrial activity has slowed, unemployment has increased and rates of consumption have declined.

At the same time however, the decline in economic growth, the flattening of investment and the curbing of development have meant reduced threat to the asset, less pressure to demolish and replace and a

necessarily more measured approach to change.

Anecdotal reports in the media and amongst professionals working in the heritage area indicate very similar experiences in the UK and the EU as recession eases pressure to demolish and develop in those areas.

Thus something of a “window” has opened to consider how best to maximize the value of the heritage asset and to maintain, preserve and develop it.

IMPACT OF EARTHQUAKE RISK

On the other side of ledger however the Christchurch earthquakes and subsequent responses to those events appear to be generating an increase in threat of a magnitude hitherto unseen.

Three major changes may be noted:

1. The fact that Wanganui was, prior to the Christchurch earthquakes, likely seen as facing only similar or slightly greater risks to Christchurch and the numerous areas like it, has meant that there is now a heightened awareness of the possibility of significant seismic catastrophe.

There was already an awareness of seismic risk in Wanganui as evidenced in studies undertaken in the past and in the fact that various WDC policies and practice already incorporated some recognition of seismic threat. The Christchurch earthquakes have clearly added to that awareness.

2. The response to events in Christchurch along with the proposed policy and practice changes are likely to have a direct bearing on all development and construction in Wanganui.

Some version⁷ of the proposed “identify all structures achieving less than 30% of

⁷ The precise standard to be adopted is currently the subject of vigorous debate with the final Crown response to the quoted Royal Commission recommendation awaiting the end of

required compliance within five years and demolish or refurbish accordingly within 10 years” is likely to become the new standard.

The impact of such tightened compliance will fall heavily on built heritage assets both public and private with some 400 nonresidential buildings readily identifiable as failing such a standard. Most notable is the Sarjeant Gallery (see below).

3. The severe liquefaction problems which accompanied the Christchurch earthquake are a threat in Wanganui as well. Heightened awareness of this issue has developed alongside increased fears about earthquake risk.

The effect may be to reduce new areas available for development (exerting pressure to demolish to “free up” sites in favoured locations), to drive up costs where additional compliance measures are deployed and to affect existing buildings now seen as facing liquefaction threat at levels previously deemed acceptable (but no longer).

SUMMARY – AN OPPORTUNITY BUT A TOUGH ONE

The twin impacts of recession and earthquake have worked to preserve the remainder of the heritage asset and offer scope to maintain and preserve it but the Christchurch earthquake events ultimately mean that new standards to be imposed will make the maintenance, restoration and extension challenges more costly and difficult than ever before.

PRESENT APPROACHES

In the 2004 report it was noted that:

The Resource Management Act 1991 requires that heritage value of sites be identified and recognised. Chapter 4 of the WDC Proposed

consultation processes but is highly likely to approximate the proposed standard.

District Plan deals with this requirement, setting out policies, objectives and accompanying methods of implementation for those objectives using the recognised instruments of district planning⁸.

At that time various other policies had been proposed – an updating of a built heritage inventory and completing the implementation of an “overlay zone” to control demolition and building modification in the Old Town area.

Significant progress has been made. The inventory – now complete – is one of the most complete in NZ integrating historical narrative, survey and site as well as architectural information covering over 300 properties and representing a valuable archive and resource. The overlay zone provides an operating development control regime tied to the objectives of the Operative District Plan.

As part of the District Plan Review process (required under the RMA) Plan Change 29 has been advertised and submissions are presently being received.

That change seeks to:

- Consolidate existing initiatives in a simple form;
- Clarify a number of definitions in respect of assets and practice;
- Classify various uses and activities in line with wider WDC policy; and,
- Advance longer term objectives through linking development issues to the wider objectives of resource management in the WDC area.

A variety of private initiatives continue to promote the heritage value of the city through input to design, education and influencing development initiatives.

⁸ District planning is generally limited in what it can achieve for a variety of reasons. Thus the WDC does not depend exclusively on these methods but uses other instruments (such as information provision and assessment grants) as well. In addition the District Plan proposes wider methods such WDC becoming a corporate member of ICOMOS – an international agency concerned with heritage issues.

THE PORTFOLIO SINCE 2004

Overall the state of the heritage built portfolio has not changed greatly. In one sense this represents “good news” in that there have not been large numbers of demolitions or out-of-character renovations so that the character of the portfolio remains intact.

On the other hand the portfolio was in a threatened state in 2004 in that there was significant deferred maintenance in some buildings and groups of buildings, compliance levels with the (then) prevailing regulatory regimes was not high and continued erosion of value over time was evident.

Since 2004 two forces have been driving the state of the portfolio. One has been the economic slowdown detailed elsewhere. The second has been the significant structural change in retailing. Both operate with the twin “cost benefit” features described above.

Economic slowdown lessens the incentive to demolish but at the same time lessens the incentive to update and renovate in character. The decline in traditional “bricks and mortar” retail at the expense of internet retail relieves pressure for new retail building but also lessens the incentive to renovate.

Change in retail structure is far from complete. Such recovery as has been experienced in world economies as a whole has not been reflected in retail recovery. The sector continues to lag while internet retail continues to grow in both volume and scope (across an increasing number of retail activities).

This means shifts in retail are occurring. It is perhaps significant that the “saving” of the BNZ building has been by way of a service industry player (restaurant café) taking over rather than a product sales function.

Increased levels of tourism may favour the portfolio because of the focus in that sector’s activity on:

- Services to tourism particularly from niche operators (cafes versus foodcourts etc);
- The popularity of “character” service outlets amongst tourists; and,
- The fact that services may be more robust to internet competition.

While there is still some demand for development of a traditional variety – and Wanganui has a major shopping complex currently being constructed which is broadly sympathetic with the existing portfolio at least from a design if not historical perspective – the future would seem to lie in the service outlet sector.



Possibly another factor favouring renovation into tourist-based service outlets is that the requisite locational requirements for this type of development align very well with the location of the most valuable components of the heritage portfolio.

In this latter regard BWG notes the near universal praise for the “re-orienting” of frontage to the river (a recommendation from the 2004 Report). This development along with the high levels of popularity and activity associated with the informal River Traders Market activity reinforce the scope for this form of niche, service-oriented, tourism slanted development as one means for promoting the restoration and renovation of the city’s built heritage.

UPDATE OF THE MICRO ECONOMICS

Ultimately redevelopment and refurbishment have to be sustained on simple economic grounds if built heritage is to be maintained. Much demolition of built heritage in N.Z. has arisen simply because there is a significant divergence between the cost of new developments and the refurbishment of the old.

The reasoning as applied to Wanganui and the Old Town area in particular was set out in the 2004 Report and remains relevant today:

Key to understanding the risks facing the built heritage portfolio at present are the economics of refurbishment, adaptation or rehabilitation compared with the options of demolition, site clearing and new development or simple degradation over time to the point where demolition as a matter of public safety becomes a necessity.

Two factors⁹ affect the economic incentive to develop or re develop sites in the area:

1. *State of the national and even more significantly the local economy and the resulting property investment trends, and,*
2. *The additional costs imposed by the legislation and regulation imposed as matters of national level policy in respect of earthquake risk and fire hazard.*

In the case of the former (and as discussed below), the economic drive for commercial property investment in Wanganui is muted even when national economic growth is strong. There are various structural and market driven reasons for this. The most significant factor is that these are beyond the policy control of either the public or the private sector¹⁰.

At that writing the BNZ – a major heritage asset beset by numerous of the problems highlighted above – seemed set for certain demolition.

The report examined the relative costs of refurbishment versus new development. Below the comparison has been updated to reflect estimates of what might apply today.

⁹ While it is clear that this is something of a simplification; these are the predominant factors and many others are simply variants.

¹⁰ Evidence of the effect of these economic factors as they relate to commercial property investment can be seen in the very small number of applications for development in the CBD area over a number of years.

For the sake of comparison the analysis has been updated as shown in the table on the following page:

The assumptions shown below are for the most part identical to those of the 2004 report but updated as note.

Green Fields			
Item	Per m sq	Metres	Cost
Market cost of land	\$ 488.64	880	\$ 430,000
Demolition	\$ 56.11	900	\$ 50,500
Construction cost	\$ 1,146.49	1,660	\$ 1,903,173
TOTAL	\$ 1,691.24		\$ 2,383,673
Yield		7.50%	\$ 178,776
Rehabilitated			
Item	Per m sq	Metres	Cost
Market cost of land	\$ 488.64	880	\$ 430,000
Earthquake & Fire compliance	\$ 379.32	1,660	\$ 629,671
Construction cost	\$ 1,146.49	1,660	\$ 1,903,173
TOTAL	\$ 2,014.45		\$ 2,962,845
Yield		7.50%	\$ 222,213
Heritage "Gap"	\$ 323.21		\$ 43,438
Capitalise Gap over 15 years	\$ 579,171		

Assumptions:

- The site size is some 44m x 20m or 880 square metres;
- A building footprint of some 880 square metre less 100 square metres for servicing bay and other external requirements is assumed;
- A two storey building is assumed in line with minimal scale requirements or at least a reasonable approximation of the existing structure in terms of size;
- This results in a total floor area of 2 x 880 less servicing space of 100 square metres or 1,660 square metres. It is understood that this footprint would comply with the operative and proposed District Plan as at 2013;
- The cost estimate for the building is taken from the BIC guideline for retail/office commercial construction in the relevant area of the North Island adjusted to 2012. It must be stressed that this is a generalised number and is developed for a generalised application but one which is fully complying in all respects;
- The construction hand book values have been updated and put the mid-range demolition costs of this type of building at between \$56per m2 (floor area), plus fees. The update suggests a price range between \$45,000 and \$55,000 (+ gst). \$50,500 (gst inclusive) has been assumed;
- The value of land is set at the same price as in 2004. It is difficult to establish any reliable increase (or decrease) in commercial real estate prices from 2004. The price is therefore sought in 2004. The actual price paid subsequently is not known;
- The yield is a typical commercial property yield but probably a little conservative in that an investor might (especially for a provincial property investment) seek a higher yield to offset risk.



The table shows the capital cost for a totally new development by comparison with a rehabilitation which it is assumed could be achieved for a comparable price to a new development once the additional costs of earthquake and fire prevention compliance are factored in.

The earthquake compliance cost is that required prior to the Christchurch earthquake. It does not therefore include any adjustment for costs which might be imposed in future as a result of the Royal Commission and Government reaction to that.

While this is clearly a hypothetical exercise and costs would vary somewhat according to differing design requirements, materials, and numerous other factors, the point is to illustrate the order of magnitude of additional cost imposed in restorative development and therefore the economic issue faced by investors.

Summarised, in the rehabilitation example, an additional capital cost of \$579,000 is incurred and a resulting annual loss of \$43,400 in return at a 7.5% yield.

Even a greenfields development at the modest yield of 7.5% must attract a tenant group capable of paying some \$178,700 p.a. in rent which may be difficult to achieve given the district's economic circumstances.

From the perspective of investors it is clear that the economic disincentive to invest is significant and that "minor tweaking" is most unlikely to address the situation satisfactorily.

BUT WAIT

In fact the BNZ building was not demolished but has been upgraded, renovated to complying levels (pre earthquake policy changes) and is now a restaurant – café.

The building has been restored fully within character from a heritage portfolio standpoint and offers a classic example of adaptive re-use.

While BWG is not aware of the economics of the business what can be said is that it has:

- Been established during arguably the most difficult time to set up new starts;
- It represents full use of the asset in a heritage building context;
- This outcome tends to reinforce the potential in the tourist / service sector.

While it is tempting to conclude that private sector funded adaptive reuse is "the answer" to preservation, some care is required.

Some owners may be prepared to accept sub-optimal economic returns in a trade off with other parts of an investment portfolio, their interest in heritage, a long date return on investment policy, part of a market share build policy or any other number of plausible reasons, including combinations.

It is to be hoped that such redevelopment can be replicated and the property creates a valuable "show piece" of what is possible in this area. Certainly the WDC might usefully pursue full documentation of the process with the owners / investors to learn what they can and to assess the marketing potential of the redevelopment in respect of other heritage assets.

PART III: TOURISM AS A KEY DRIVER

In what has become a "traditional" approach for New Zealand tourism has been seen in Wanganui as offering significant opportunities to enhance economic well-being, provide employment opportunities and promote the city.

Tourism is also seen as offering a means to achieve these ends in a manner which is environmentally benign, at one with a diverse bicultural society and not necessarily requiring large scale capital input.

These features and their significance, as outlined in the 2004 Report are summarised in the tables presented in Appendix II.

Built heritage may be seen as an integral component of and indeed central to the tourist offering.

CURRENT TOURISM PERFORMANCE

The following table updates visitor numbers and spend from the 2004 Report. Protocols for data collection and analysis have changed significantly so that direct comparisons are difficult however this does not prevent a relatively clear picture emerging.

Estimates: Tourism Activity and Spend 2011		
	Wanganui	New Zealand
Spend	\$ 84,000,000	\$ 16,024,000,000
Nights	767,284	107,708,873
Per night	\$ 109.48	\$ 148.77
International		
	Wanganui	New Zealand
Spend	\$ 17,000,000	\$ 6,909,000,000
Nights	259,786	51,351,120
Per night	\$ 65.44	\$ 134.54
Domestic		
	Wanganui	New Zealand
Spend	\$ 67,000,000	\$ 9,115,000,000
Nights	507,498	56,357,753
Per night	\$ 132.02	\$ 161.73

Growth has mirrored the economy wide experience (both nationally and locally).

SIGNIFICANCE FOR HERITAGE ASSETS

The relative nature of the slow growth has been noted elsewhere along with the likely return to stronger performance in the future. The significance of heritage for tourism thus remains material.

The 2004 Report noted that:

The existing situation and perhaps more importantly the strong potential which the tourism “story” has for Wanganui has direct implications for Wanganui.

The District has two chief centre pieces to its total tourist asset:

1. *Its role as base city to the River as a tourist asset and the hinterland of Ruapehu and Rangitikei assets, and,*
2. *The city itself, the most notable feature of which is probably the unique environment associated with its built heritage.*

This gives some sense of the value and potential value of the built heritage asset to the District.

This also highlights the importance of not “losing” the competitive advantage conferred by the built heritage asset. Many other provincial cities and towns simply do not have such an asset and thus lack any significant profile.

To this should be added the facts that almost all provincial cities face earthquake issues of one sort or another along with the fact they all face difficult economic circumstances.

PART IV: VALUE OF BUILT HERITAGE ASSET

Placing a value on built heritage assets is difficult for two main reasons.

First, the benefits tend to be “public goods”, i.e. benefits are difficult to charge for at reasonable cost and to exclude free riders from enjoying (thereby destroying the incentive to provide or maintain them).

Secondly, the nature of many of the benefits is intangible which, while not a problem in itself (consumers buy numerous goods and services which have intangible benefits), when coupled with the pricing problem noted above, compounds the difficulties.

While incremental advances are made in dealing with these issues the nature of the problems tend to preclude “breakthrough” discoveries and there have not been material alterations since the time of the 2004 Report.

Orthodox attempts to value assets such as built heritage assets fall into three distinct categories:

1. Hedonistic Pricing Studies – which examine the way prices for items in which the benefit of concern is assumed to be “embedded”. An example would be the way house prices reflect a preference for unpolluted air or a view. The principal drawback with this approach lies in isolating the benefit of concern with certainty and then quantifying its contribution to price.
2. Travel Cost Studies – which assume that amount expended on travel to (say) heritage sites or tourist icons provides a measure of the extent to which the asset in question is valued. Key problems are that value of the asset is but one factor motivating travel and the fact that other costs not reflected in travel prices (for example time spent) may indicate value as well. Results therefore tend to be “noisy”.
3. Contingent Valuation – the most popular and conceptually attractive approach.¹¹ It relies on survey respondents stating what they “would pay” to change the allocation of resources. There have been numerous applications mainly in physical environment areas (for example air quality). Non market valuations may be improving in their objectivity and precision, they remain hindered by the assumption that hypothetical claims by respondents represent behaviour.

In this study the approach adopted draws on the notion that built heritage assets have at least the potential to create a branded product. Thus the literature and research on branding, brand price margin behaviour and the economic strategies associated with that field may be drawn on to assess the value of Wanganui’s built heritage assets.

Since 2004 that literature has grown and reliance on the concept has, if anything

increased. Of specific interest has been the growth in recreation and sports “branding”. Arguably the highest profile example in the NZ context was the 2011 Rugby World Cup where very large sums were spent in:

1. Establishing and building the brand name of the event (by organisers) and the teams (by team management); coupled with,
2. Extensive efforts in brand management during the course of the event¹². Extensive and detailed arrangements were made reflecting the perceived value of the brand.

The value of these experiences is that because the brands are used to attract sponsorship funding – and that in large amounts – there is market evidence (rather than just conjecture) of willingness to pay for branded events and products.

In the 2004 Report and in this update the fundamental principle is that the Wanganui tourist experience is a product capable of being branded. The built heritage may be seen as a differentiating factor which is capable of accounting for the brand premium. The brand and premium therefore serve as a proxy for the additional value the built heritage asset provides to the district.

Accepting this principle as a way of thinking about the issues rather than a once and for all description of reality, then the valuation issues become questions of what premium if any a well branded product attracts and what the value of that premium is.

APPLICATION - BUILT HERITAGE

An important issue is the extent to which built heritage assets can be used to drive a premium brand (or do at present). The 2004 Report drew on Colmar Brunton work, commissioned by Tourism New Zealand, which had reported relevant findings in 2003.

¹¹ At least 40 studies have been undertaken in this area. See, for example, the review by Ståle Navrud and Richard C. Ready, editors, *Valuing Cultural Heritage: Applying Environmental Valuation Techniques to Historic Buildings, Monuments and Artefacts*. Cheltenham, UK: Edward Elgar, 2002.

¹² This is reflected for example in varying assessments and discussions of the management arrangements and their impact. See for instance <http://psnetwork.org.nz/assets/Resources/2010/Government-Framework-RWC-October-2010.pdf>

The conclusions of relevance were that built heritage is and can be made a strong feature of the tourist experience for both domestic and international travellers, there was strong evidence of actual tourist participation rather than simply conjecture or reported aspiration, and that where built heritage had a strong profile (South Island, Hawkes Bay) participation seemed to be higher. The converse appeared to be true as well.

Since that time the various Government Agencies involved in tourism (and there have been several through various re organisation and restructuring exercises) have replicated work of this or similar form in tracking tourist activity, experience and aspiration. These studies continue to reinforce the conclusions of the original Colmar Brunton work and thus provide assurance for continuing use of the 2004 Report approach to valuation.

As noted in the 2004 Report:

The conclusions of relevance to this report appear to be:

- *Built heritage is and can be made a strong feature of the tourist experience for both domestic and international travellers.*
- *There is strong evidence of actual tourist participation rather than simply conjecture or reported aspiration.*
- *Where built heritage has a strong profile (South Island, Hawkes Bay) participation seems to be higher. The converse appears to be true as well.*

Moreover it remains the case in 2013 as it was in 2004 that:

It therefore seems reasonable to assume that the Wanganui built heritage asset is:

1. *Potentially an invaluable element in building a powerful brand for a Wanganui tourist brand,*
2. *Is still far from being developed to its full potential both in itself and by comparison with other areas of New Zealand,*
3. *Would, if lost or significantly eroded, remove one of the strongest assets which*

any area having such assets can use in selling the tourist experience product¹³.

Establishing size of brand premium is a difficult exercise since, not unexpectedly, such premiums change through time, from product to product and from place to place. The exercise is one of establishing plausible ranges and making credible choices.

A survey of relevant literature suggests a reasonable premium would be 25% less an allowance for any existing premium. Such an allowance should be small given the indications from the research¹⁴. An allowance of minus 5% seems reasonable giving a net premium of 20% - a figure which, if anything, may be on the conservative side¹⁵.

While it might appear that standard goods and services are quite different from built heritage or tourist offerings, the principles are very similar. Moreover the premiums found in the literature apply in many cases to services and service components of product offerings.

BWG has examined the literature since the time of the 2004 Report and finds no material change in premia reported and thus no justification to alter the original premises used in establishing the brand premium.

APPLYING THE PREMIUM – UPSIDE

Applying the brand premium logic and data to the estimate of existing tourist expenditure in the district suggests that if an additional premium was to be captured direct expenditure would increase to \$101m valuing the additional effect of the built heritage asset at some \$17m annually.

The increase in value since the 2004 Report (\$14m) is small in absolute terms but large in percentage terms suggesting on the most

¹³ A good example of opportunity lost is the “Marae experience” which rates highest of all as a driver of holiday satisfaction, but is amongst the lowest of participation categories.

¹⁴ The combination of local perceptions of image plus the competitive out performance by other districts and regions.

¹⁵ Sources are numerous but include: <http://news.com.com> , <http://canvasa.on.ca> , www.vijon.com . Periodically industry analysis reports provide estimates of brand premiums.

conservative view, double digit percentage growth in value¹⁶. The actual annual growth rate over the 2004 – 2012 period is estimated to be some 2.7% making value growth in this asset amongst the strongest growing in the economy.

There are a number of ways in which this value might be seen to be expressed such as 155,300 additional nights annually, implied by the value, an increase in length of stay associated with each visit, an increase of \$22.63 in spend per night, or, most likely, some combination of these.

There is no mechanistic “cause and effect” certainty implied in the examples or the value assigned. Instead, a means for thinking about the value which the district would gain from the additional value of the built heritage asset is provided.

APPLYING THE PREMIUM – DOWNSIDE

The logic applies identically to the likely impact of any loss or discount driven into the built heritage asset through erosion in its value (\$17m p.a., 155,300 nights etc). Again the numbers are illustrative rather than predictive.

It should also be noted that in a downside scenario (where heritage value is eroded severely) losses are not limited purely to the “premium” but rather could extend further “downward”. What the premium indicates is the quantum of loss associated with each tranche of erosion of value of this magnitude.

Consideration of the upside and downside gives an indication of what is at stake in respect of the direct value of the heritage asset.

CAVEATS

Researchers are typically loathe to place a value on heritage assets beyond statements of an entirely qualitative and subjective

¹⁶ The actual percentage is some 21.4% however percentages can be misleading especially when dealing with values below 100 thus a conservative approach is indicated.

nature. The main reason is that the task is difficult and highly error prone thus generating significant fear of ridicule.

Such reactions are understandable but are not necessarily helpful however in the sense that they tend to leave policy analysis and development frozen. An alternative is to develop ways for thinking about the issue and then being mindful of the caveats which need to be applied.

The caveats associated with the approach reported above include the fact that the value attributed is not a market valuation in the sense of valuations derived from observed transactions, neither can it be compared directly with the type of value which Registered Valuers assign to properties.

The value attributed in no way implies cause and effect relationships within any stated time frame and it assumes marketing and promotion typically associated with successful branding is applied to the built heritage asset.

The full steps for the valuation are set out in Appendix III.

PART V: MULTIPLIER EFFECTS AND TOTAL ECONOMIC IMPACTS

The direct value of tourist spending is only part of the economic impact picture (direct effects) and only measures part of the value. Increases in direct spending by tourists and additional spending because of any premium brand are accompanied by indirect effects.

These are accompanied by induced effects which reflect spending by households whose income is created or increased because of the initial spending (direct effects) and the indirect effects spending.

Adopting standard methods¹⁷ for estimating multipliers which draw from the New Zealand

¹⁷ There is significant debate about appropriate methods and their merits. These are discussed in reports such as NZEIR “The Economic Impacts of the University of Auckland in the Auckland Region”, Study for University of Auckland, publicly available via Internet, and Wheeler, P.B. “The Gold Handbook”, Brent Wheeler Limited, 2003.

input – output tables and adjusting for compatibility with the district economy allows estimates of total economic impact (direct plus indirect plus induced) attributable to the estimated premium of \$17.0m p.a. to be made. In the update, precisely consistent measures have been adopted.

Total Impacts (Type II Multiplier)					
Estimated Added / Lost Spend	Output	Percent	Employment	Percent	
Retail Trade	\$ 9,384,000	23%	605	24%	
Accommodation, Cafes and Restaurants	\$ 11,832,000	29%	555	22%	
Transport and Storage	\$ 5,712,000	14%	454	18%	
Communication Services	\$ 3,672,000	9%	328	13%	
Health and Community Services	\$ 3,264,000	8%	151	6%	
Cultural and Recreational Services	\$ 3,672,000	9%	277	11%	
Personal and other Services	\$ 2,448,000	6%	101	4%	
Not Elsewhere Included	\$ 816,000	2%	50	2%	
TOTALS	\$ 40,800,000	100%	2,522	100%	

It should be noted that:

- The multiplier effect lifts the value of the “brand premium” by a significant amount in terms of both dollar output (\$40m) and FTE positions (well in excess of 1,000);
- Significant levels of unemployment and under investment in the local economy likely mean that little of this additional activity “leaks” to other areas;
- For the same reasons the opportunity cost imposed by the additional activity (output and jobs “lost” to tourism is likely small – certainly at the present time;
- Almost two thirds of the impact is felt – as would be expected in retail, accommodation and food and transport services;
- The increased levels of service provided in these sectors is likely to benefit the local economy through providing a greater range of offerings and more competitive service than might otherwise be the case;
- Replicating effects of this type, size and value in other parts of the economy, especially through “standard” generic economic growth is likely to be difficult.

POSSIBLE IMPACT OF EARTHQUAKE RESPONSE

It is useful to use the data derived from the analysis to provide outer limit estimates of what economic impact might accrue to policy changes wrought by responses to the Christchurch earthquakes. It goes without saying that this is an area of pure speculation. At the same time some broadly indicative estimates help point to the magnitude of the issue.

Key difficulties to be considered are as follows:

1. It is difficult to establish how much economic value flows from the differentiation generated by built heritage in the city. Tourism does not depend solely on built heritage. The previous analyses deal with the added value or premium generated by built heritage;
2. It is unclear how much of the premium identified above would have been exploited and come to generate the value estimated. If a "100% effect" was to be achieved the data suggest an additional \$40m or so throughout the economy; and,
3. Neither is it clear that the city would not benefit from a "new and different start" in much the same manner as Napier was able to in the post-earthquake period. It would be unwise to assume that the event will turn out to have only negative consequences for the city.

What can be said then is that somewhere in the order of \$40m across the economy is likely to be at stake. The final size of impact will depend upon numerous factors but most notably:

- The precise and final nature of the regulatory regime which emerges;
- Private sector responses to that regime;
- Public policy responses (if any).

The temptation is to seek more precision. BWG considers that the wiser course is to retain a strong sense of the inherent

uncertainty in the exercise and proceed accordingly.

CONCLUSIONS AND POLICY ISSUES

The potential economic value of the built heritage asset in Wanganui is considerable especially once the full flow on effects of additional spending are considered even from the limited perspective of tourism impacts. The rhetoric regarding the value of built heritage assets has often seen considerable voracity of expression and enjoyed significant publicity. There has been less courage in attempts to place an economic value on the assets.

While there is scope to debate the methods employed in this study, the means by which such information might be used in public policy instrument design and the implications of the information for different public and private sector groups, the findings provide estimates of the order of magnitude of resource having the potential to be affected by policy decisions made by local government.

This provides the opportunity at least, to illuminate the ways in which preservation management regimes might be integrated with beneficial economic outcomes to enhance a wider concept of wellbeing.

There has been no great change since the 2004 Report. Alterations in asset value and therefore the additional economic activity they might spawn reflect the overall value change. The flat employment outcome is in line with the flat employment outcomes for the economy as a whole.

PART VI: POSSIBLE WDC RESPONSES

Given that the built heritage asset is of considerable value to the community if it is maintained, built upon and marketed and represents a potential loss if its value is eroded or otherwise dissipated, a significant issue becomes the most appropriate role of the WDC given the tools available to it and the priorities and constraints it faces.

Since the 2004 Report this conclusion has been reinforced by:

1. The imminent threat to the heritage asset of responses to the Christchurch earthquake coupled with,
2. The weakened state of the N.Z. and along with that the Wanganui economy meaning that growth was, earthquakes aside, likely to be difficult in any event.

The appropriate focus for the WDC remains as it was in 2004:

The key issue is to isolate ways in which the WDC might assist in maximising the value of the asset through exercise of its comparative advantage - i.e. working in areas where it is well placed to assist – rather than replicating measures which other individuals or organisations are better placed to implement, since this “crowds out” these initiatives and has the potential to compromise the other obligations of the WDC.

HERITAGE MANAGEMENT

As in the 2004 Report, the term “heritage management” is used below to denote any or all or a combination of preservation, maintenance, restoration, rehabilitation and construction or extension of built heritage assets.

Value maximising heritage management can involve both simultaneously and sequentially several of these activities and it is important not to allow obsessions with, for example preservation, to be seen or indeed become

the only activity involved. A broad view is essential.

Events since 2004 make this point even more important. New earthquake standards are likely to mean that different ways of preserving, maintaining and managing heritage value are likely to be required.

RATIONALE FOR INTERVENTION

The key rationale for intervention revolves not around the fact that the “market fails” but rather that:

1. While very significant value may be generated through the built heritage asset generating tourist expenditure, that value is spread across the entire economy in small quantities and over a period of time, thus,
2. The costs of concentrating the value into sufficiently large sums or in entities from which it might be invested or used to maintain any individual asset or drive its return up far enough to justify investment is so costly as to preclude its being practical.
3. This “collective action” problem as it is known in economics simply means that the value cannot be readily captured in quantities which would justify investment. The result is likely to be under investment in the assets viewed as a whole relative to the value which they confer on the community.

An understanding of the rationale is important because the resulting intervention is not concerned with the redistribution of wealth but rather the generation of wealth for the community.

A comparable example would be the provision of the land titling system in New Zealand where the value to the entire community of providing such a system is very large but the provision of such a system without government intervention would be so costly as to preclude its being provided in as

comprehensive a manner as value delivered justifies.

COMPREHENSIVE STRATEGY

Worldwide, numerous attempts have been made to use public policy instruments of one or another type to achieve heritage policy objects (The 2004 Review of UK, US, Australian and Canadian experiences detailed in Appendix I of the 2004 report remains relevant). Each instrument has advantages and disadvantages.



Mill City Museum, Minneapolis

A comprehensive approach to successfully maximising the value of the built heritage asset in Wanganui must therefore incorporate explicit means for dealing with these matters.



The ruins of St Mary's Abbey Church, York

The most obvious conclusions which may be drawn from the experience and those of most relevance to Wanganui are:

1. Reliance on any single instrument such as regulation or public ownership is most unlikely to succeed,
2. Greatest success is achieved where the limitations of a given instrument are recognised and naive expectations are shunned (notably with regulation), and,
3. The success of all instruments and packages of instruments is affected to a very large degree by the simple sheer competence or lack of competence with which it is administered.



Toitu Settlers Museum, Dunedin

SUMMARY

The standard criteria for evaluating the likely effectiveness of public policy instruments apply in respect of built heritage assets and are summarised in the following table developed by Wheeler and Vossler.

SUMMARY AND GENERALISATION OF THE IMPACTS OF DIFFERENT POLICY INSTRUMENTS

	Regulatory Instruments	Ownership of Assets	Grants Subsidies	Rates Relief
Applicability to heritage assets	Hi	Lo	Hi	Med
Avoid Risk to Heritage Policy	Lo	Med	Med	Hi
Ability to deliver neutrality	Lo	Med	Med	Hi
Strength of Legal basis	Hi	Hi	Med	Hi
Certainty of Availability	Med	Lo	Lo	Med
Intergenerational Equity impacts	Lo	Med	Med	Hi
Administrative Simplicity	Lo	Hi	Med	Hi
Degree of Transparency	Lo	Lo	Hi	Med
Degree of Accountability	Lo	Lo	Med	Hi
Neutral to Capital Cost	Lo	Hi	Med	Hi
Neutral to Operating Cost	Lo	Med	Med	Hi

Notes

- Criteria have been deliberately framed so that Hi is a positive attribute and vice versa
- Risk to heritage policy means risk of heritage policy objectives not being achieved.
- No ranking is intended
- No weighting is applied in respect of importance
- Neutrality is the ability to offset costs to private rights while delivering public benefit
- Legal basis refers to formality of procedure
- Certainty of availability refers to likelihood of ad hoc change or cancellation
- Capital cost refers to likely reaction of lenders or financiers
- Operating cost refers to foregone revenues, increased costs or both

TOWARDS A RESPONSE PACKAGE

The main tools available to WDC as for local government in New Zealand more widely, were set out in detail in the 2004 Report and are not “recycled” in this update. For the most part they remain relevant.

A number of initiatives – for example extensive capture and documentation of information about the built heritage portfolio, have been completed and can be expected to deliver the promised benefits. Others should be considered as part of current strategy on a case by case basis as the need arises.

Of more direct relevance at present is some consideration of appropriate responses in the light of:

1. The impact of Christchurch earthquake responses;
2. The weakened state of the economy; and,
3. The opportunity provided by the Sarjeant Gallery Project.

The response package might include:

REGULATORY - CONTINUATION AND COMPLETION

Areas which might be examined in respect of reviewing regulatory instruments so as to enhance the built heritage asset are as follows:

GENERIC

The point of generic improvements to regulatory regimes is that they have the capacity to speed up development thereby reducing pressure for inappropriate solutions, such as simple demolition or modification without regard to heritage character.

Any measures which lower the cost of participation in regulatory regimes are likely to provide benefits in this area.

Similarly, to the extent that it can be done generating certainty around what is and is not “allowed” under regulatory regimes such as the District Plan are of significant assistance.

Such improvements are especially important in respect of complex consents under the RMA and both national regulatory regimes (for example those surrounding building) and local regimes (for example Council bylaw and codes of practice surrounding various activities).

Improvements in such areas are important in respect of:

- New projects and initial one-off refurbishments of buildings; and,
- At least as important maintenance of the existing stock and portfolio of built heritage assets.

The erosion of heritage value and the increase in threat to the heritage portfolio is inextricably tied up with ease and cost of maintenance of the existing assets given their nature.

Maintenance is already a difficult and at times delicate task in this area and consenting and regulatory procedures should seek to lower the cost and enhance the ability of owners both public and private to maintain assets.

USE OF ECONOMIC INSTRUMENTS

There may be scope for the use of economic instruments such as bonds, pledges, guarantees and trade-offs as policy instruments to improve outcomes for example. Bonds might be used rather than costly input controls to produce least cost maintenance solutions.

Some design and appearance controls in some areas might be traded off against conservation on another site as part of a portfolio approach to heritage management.

The idea of using economic instruments is far from new – indeed the RMA and even the Local Government Act has provided (albeit in limited ways) for some years. Local government and the planning profession have tended to be loath to “tackle” the complex work sometimes implied, fears about possible legal issues and complexities have tended to act as an obstacle (or as an excuse) and

throughout the western world, progress has been disappointingly slow.

DISTRICT PLAN

Proposed change 29 has already been noted. This change provides a significant improvement on the existing operative plan through creating more certainty, generating the establishment of some precision in terms of both activities and the way activities are to be undertaken and – as noted elsewhere – the vastly improved database from which the District Plan is to be administered.

These improvements notwithstanding, BWG notes that the proposed change is still 27 pages long. Given that it is but one of the regulatory documents to be considered when owners contemplate either development, redevelopment or maintenance it is important that efforts are made to reduce and simplify if at all possible.

At the very least a succinct summary running to perhaps two pages would be appropriate. This is a serious challenge given the legalities and complexities surrounding the RMA and the District Plans which it spawns but its completion would deliver significant benefits.

INTEGRATION

Local government has for many years spoken of trying to develop “one stop shop” approaches to consents. For the most part however this goal has proven elusive for a variety of readily understood reasons. At the same time changes in earthquake codes and the current economic difficulties place a high premium on improving integration and the ability for single, authoritative issue of consents covering all matters.

There is scope then to examine serious integration of District Planning consents, plumbing and drainage requirements, building and construction requirements, electrical related requirements.

A difficulty in this regard is that these regimes are in many cases national regimes over which local authorities have limited room to move and national compliance is a simple

legal requirement. On the other hand integrated processing running in parallel has scope to speed up practices and reduce costs.

NEW CONCEPTS

In the interests of both new development (and one-off redevelopment) as well as maintenance there may be scope to develop new concepts such as that of the “enduring consent”.

Such a consent would be a comprehensive consent which once granted allowed a series of maintenance activities and minor redevelopment activity to take place over an extended period of time without recourse to complex, costly and time consuming consent processes.

Thus rather like an enduring power of attorney key issues are addressed once and once only (unless there is material change in circumstance) and terms and conditions of activities established.

Finally in respect of new concepts it is likely important that WDC is engaged in national initiatives to streamline consenting processes as they affect all elements which have the capacity to create obstacles, to increase timescales or to drive up the costs of compliance with regulatory regimes.

The outcome in respect of regulatory design is relatively clear – regulatory regimes which achieve the outcomes by bringing activity to a halt or making it prohibitively costly may be deemed to have failed. Where such outcomes are observed the likely result would be an erosion of heritage value and a loss of community benefit.

FLAGSHIP ASSETS

The 2004 report recommended involving the identification of flagship assets and a concentration of resources on those so as to produce the greatest impact possible.

No great detail was provided in that report of how to do this and since that report the major changes (earthquake and the GFC and

recession) have, as noted above, created something of a premium in focusing on flagship assets.

A simple reality in this case is that not all heritage buildings can be “saved” or adapted or modified. There is a need to concentrate on such assets as will generate the highest value for the community.

There are therefore significant gains to be made through developing a process which elaborates more clearly what is meant by a “Flagship Asset Policy” and implementing that. Characteristics of a suitable Flagship Asset Policy would involve:

1. The approach to flagship assets has to be systematic and structured. Ad hoc responses are unlikely to maximise value or preserve limited budgetary resources. An explicit systematic policy with timelines and responsibilities corresponding to standard effective public policy practices is therefore required.
2. An initial “filter” would be to assess whether or not identified heritage assets and their maintenance and redevelopment is most likely to occur in a satisfactory manner if undertaken in the public or the private domain by public or private agencies.
3. In short if the private sector appears to have a high probability of being capable and likely to preserve and enhance heritage value for a given built heritage asset then that expectation should be identified. Conversely heritage assets which are currently under the ownership or effective control of public agencies such as the WDC should also be identified.
4. It is important to acknowledge that this dividing line will not always be clear and that both parties (public and private) face perverse incentives to both exaggerate and underestimate the costs and difficulties involved.
5. It is also quite possible that mistakes will be made in using this filter. The BNZ redevelopment would be an example, where it appeared that the BNZ building in Victoria Avenue was almost certain to be demolished but in fact that has not taken place and a private investment has led to its refurbishment.

Thus perfection cannot be expected in the use of this filter but it creates a systematic means for establishing policy framework.
6. Having identified assets in the public domain, from the WDC point of view a next step is to develop an index or measure of their relative value on a heritage basis. It should be noted that the reason for this is at least as pragmatic as it is “cultural, intellectual or philosophical”.
7. The greater is the integrity in a given heritage asset the greater will be its ability to drive tourist activity and visits which ultimately generate economic benefit.

It should be noted that this value does not necessarily coincide with standard commercial and economic value measured in the conventional sense.
8. It is likely for example that the “break-up value” of the Olduvai Gorge – apparent origin of homo sapiens the species, is likely to be relatively low. The heritage value of that site however is equally likely to be immeasurable.
9. This is obviously an extreme example but serves to make the point that some sort of evaluation of the heritage value outside of cost accounting valuation methods is required.

Such methods have been noted above and there is an array of different approaches to dealing with this issue

The object of such an exercise is to define the heritage value of assets in the portfolio so as to direct and focus the limited resources of the WDC or other

public agencies which might be involved in their maintenance and redevelopment.

10. A third “filter” involves assessing the best means for maintenance and redevelopment of a given heritage asset. Methods will depend upon a number of factors but should span the entire gamut from assets which will need to be dealt with through demolition and replacement with symbolic and memorabilia-based assets through to assets whose integrity can only be preserved through full redevelopment.

Clearly the feasibility of differing methods will alter and some means for determining what is relatively simple versus what is extremely complex is required.

11. Finally with the benefit of the screening process described above having been applied it is then possible to place whatever budgetary constraint exists because of other broader policy factors into some kind of context.

The regime suggested above does not purport to be perfect or to cover all contingencies. On the other hand it does provide a means to:

- Recognise the reality that some sort of “triage” is required if effective public policy is developed in this area; and,
- It provides a systematic means for decisionmaking under the varying constraints which are likely to apply.

DEVELOPMENT OF POST DEMOLITION STRATEGIES

The purpose of post demolition strategy is to recognise the simple reality that some buildings will be demolished. There is likely to be a variety of reasons for this – inability to comply with earthquake requirements, lack of any form of economic feasibility for redevelopment, physical restraints of sites and buildings and various other factors.

What is important is less the fact that some buildings will have to be demolished or that it

will make more long run sense to demolish some buildings than the need to recognise this reality.

As noted elsewhere there has been a tendency in the past to see this issue in terms of a conflict between preservation and demolition.

The concept of having a post demolition strategy recognises that a more explicit and innovative approach is to face the issues squarely and develop means of responding to it.

Again as described above the key to developing a post demolition strategy capable of maintaining heritage value or promoting it albeit in a different fashion, lies in broadening the notion of heritage and how it might be maintained, developed and promoted. Not all built heritage values depend upon the existence of a well maintained or refurbished building.

Extreme examples include iconic heritage sites such as the Parthenon and other Greek ruins, where the very factor that the asset is or consists of “ruins” and are actively managed as such forms part of the heritage value of the asset.

Lessons in NZ can be drawn from the culture and heritage value which has been “driven into” the area surrounded by, the icons preserved within and the stream of activities associated with the New Zealand National War Memorial – known as the Carillon in Wellington.

While the origins and purpose of this heritage site differ significantly (and obviously) from those of concern in a Wanganui context there is much to be learned from the way in which value has been preserved, is maintained and is actively developed and managed. This type of approach could usefully be applied to sites and buildings currently associated with Wanganui’s built heritage.

It should be noted that this concept is very much in its infancy and has yet to see full development. It draws on a series of

disciplines and is by its nature cross disciplinary in character. Thus skills and experience particularly in the curation of museums and art galleries, the set of legal skills required to identify sites and (perhaps) isolate them from other sites so as to create suitable title for sites upon which buildings have been demolished, architectural and related skills particularly in respect of their conservation sub disciplines, the full suite of engineering skills involved in constructing icons, preservation of components and elements of former buildings are, and various other disciplines all likely to be involved.

The treatment in this report is purely indicative and the object is simply to alert the WDC to the fact that there exists a viable alternative to total abandonment of the heritage value inhering in a particular building simply because it has to be demolished. The value need not be lost nor need the means for preserving that value be prohibitively expensive.

BREADTH OF HERITAGE CONCEPT

Throughout this report BWG has stressed the need to adapt and broaden the notion of heritage value as it currently inheres in buildings to a broader concept which incorporates other dimensions outside of the simple built environment.

The Carillon provides a good example where:

- Musical dimensions are used as a means for preserving and generating value through (in this case) the bells which make up the Carillon (which is a musical instrument although the term is used to refer to the entire concept in the case of the National War Memorial). The bells in question are dedicated to various people, battles, donations made by public and private agencies as well as simple dedications to the living and dead. Thus musical forms – and there have been numerous works of music written to be associated with the site and its activities – can be used to develop heritage value.
- The use of other buildings – in the case of the National War Memorial a hall of memories, show that other architectural forms which are feasible (where the original is not) can be used in one or another form to help serve the heritage objective. Thus in the case of the National War Memorial a Hall of Memories has been erected and it makes use of architectural and related endeavours to preserve and promote the heritage value of the site and events associated with it.
- Specific icons – it is possible to use specific icons associated with the heritage character of a given site and/or building as well. This might involve (as it does in the case of the National War Memorial) statues, poetry, publication of books, carving of various kinds, and numerous other forms of expression.

In order to advance this concept – given that it is in its infancy and that a good deal of analytical work is likely to be required to advance a series of viable options – it may be useful for WDC to identify this as a discreet policy area worthy of attention noting that to advance the work would not necessarily require large levels of financial commitment.

It might also be noted that (unlike the National War Memorial) in the case of built heritage the entire concept offers very significant private sector sponsorship opportunities. There is considerable scope to drive public and private joint funding initiatives to underwrite the development of the concept.

EXPANDED EDUCATION INITIATIVES

A frequent response to issues such as development of policy for heritage is to advocate the “education of the community” on the grounds that this is key to success.

While the reasoning behind such recommendations is sound and obvious enough its effectiveness is often not what it could be. In the case of heritage a critical factor is that an understanding of heritage

policy and the value of heritage in the economy competes for people's attention with numerous other "educational campaigns" about many other facets of community life.

A targeted approach to educating those who benefit most directly from the built heritage portfolio would seem to be indicated. Thus a carefully orchestrated educational campaign is likely to prove more beneficial than simple "broadcast education".

As noted below the Sarjeant Gallery project provides an ideal focus for this.

Critical to success would be targeting of specific niches within the tourist sector along with owners of various components of the heritage portfolio.

The object would be less to "convert to heritage" as has tended to be a characteristic of past efforts in this area, as to alert them to the social and economic value of this asset in an economy where differentiation is already hard to achieve and opportunities to drive up economic value are few.

From the WDC's point of view particularly given the limited resources careful strategising about the best means to approach the educational task is likely to be well rewarded.

Consequently details of how this might be done are deliberately set out in this report since the task should be treated as the specialised communication process it is.

TANGIBLE LEADERSHIP BY EXAMPLE – THE SARJEANT GALLERY

The benefits and the costs of addressing built heritage value issues are crystallised sharply and succinctly in the case of the Sarjeant Gallery.

This is because:

- It is understood that the building falls far short of the mark (at some 10% or so of the compliance standard) with the likely change in standard for non-complying

buildings after the Christchurch earthquake;

- The options are therefore likely to be demolition or extensive refurbishment on a large scale which involves complex construction engineering;
- This particular refurbishment involves the added complexity of its being a museum and widely used community facility so that its day to day functioning has to be substituted (through storage and alternative venues for other activity) while any refurbishment takes place;
- The outcomes sought from the existing (and any future) museum complex fall squarely within the core role of local government. The interests at stake are public interests, ownership rests with the WDC, potential liabilities fall to the WDC, and the asset has long featured in the WDC core activity;
- The cost is likely to be very substantial both for the refurbishment itself and the transition costs from the present to the desired outcome – which is likely to be some years (at least five) away; and,
- The Gallery and its place in community life and the economy of Wanganui make it an undisputed flagship asset.

The likely profile of the asset, any refurbishment process associated with it, along with the enormity of the challenge make the Sarjeant Gallery a perfect example of that combination of challenge and opportunity described and emphasised as emerging from this report.

The table on the following page sets out the scope of the project to contribute to the heritage portfolio seen in the broader context advocated above.

Scope	Explanation
Opportunity to lead	The WDC is well positioned to lead a much broader policy in respect of built heritage and its contribution to economic development through the vehicle of the Sarjeant Gallery. In this respect the WDC has a high profile and is readily associated in the public mind with the Sarjeant Gallery. It is seen as a natural “leader” because of its long association with the Gallery and there is scope for the WDC to show strong initiative, passion, energy and innovation.
Clear point of focus	The Sarjeant Gallery project provides a readily defined, easily understood and simple to focus on project to lead the city and its economy to the next phase of its development. Unlike a number of built heritage asset concepts which tend to be abstract, difficult to understand and somewhat intangible, the Sarjeant Gallery project has a very clear focus which can serve as a rallying point for resource and energy.
Opportunity to identify net benefit	<p>A continuing difficulty with heritage assets is that their intangible nature sometimes means that the economic value of the asset is lost. It also means that even projects (such as the present report and its update) are lost in terms of identifying net benefit. The Sarjeant Gallery by contrast provides a context in which to establish the very considerable net benefits to the economy for the purposes of:</p> <ul style="list-style-type: none"> ▪ Demonstrating to national funding and other resource agencies the net benefits of the project to the city’s economic wellbeing; ▪ Demonstrating to local entities (for example other local and regional bodies) the net benefit of built heritage; ▪ Demonstrating to actors in the various sectors of the economy the way in which built heritage can contribute to their prosperity and the wider wellbeing of the community; and, ▪ Justifying external funding and support for the project.
Ability to build strong domestic market links	The activity undertaken by the Sarjeant Gallery and any expanded version of that project overlaps significantly with similar activity in other parts of the country thus there is scope to draw on domestic tourist markets in ways which will result in additional visits to Wanganui. Further as the nature of curation and the dynamic, event orientation of gallery and related activity increases there is scope to create links which generate return visits (repeat business) for the heritage portfolio.
Ability to build strong markets internationally	A similar opportunity exists internationally. One particular strength of the Sarjeant Gallery is its strong international link and the ability to tie the City’s economy to global interests in built heritage and to global tourism and visiting patterns. In this way the potential market which the City’s economy is able to access could be increased in ways which are difficult to replicate elsewhere in the economy.
Opportunity to involve tourist sector more explicitly	Because of the opportunities for leadership, focus and the ability to identify net benefit associated with the project the Sarjeant Gallery project offers a fresh means for developing explicit linkages between the local tourist sector and the service suite it offers and the value of the built heritage portfolio. Where at the moment there may be limited knowledge in the private tourist sector of how to exploit built heritage this project provides a means for making those links explicit.
Strong linkages to skills and experience in expanded forms of heritage.	Because of the need for expanded ideas about heritage and use of innovative technologies in managing heritage assets, the skills and experience to be found in galleries and those associated with the Sarjeant Gallery project, a useful association can be built up between the need to innovate and the capacity to innovate. In other words the focus of skills and experience in the Sarjeant Gallery project are likely to match exactly those which are needed to generate new forms of built heritage assets.
Possible sponsorship opportunities	Finally, given the nature of the Sarjeant Gallery and the points made above the project may well provide an ideal platform from which various forms of significant scale commercial sponsorship opportunity can be explored. It is relatively simple to conceive of various appropriate commercial endeavours becoming involved in various ways with a project of this scale and magnitude such that a better funding platform for the entire built heritage endeavour could be developed.

APPENDICES

APPENDIX I – DEVELOPMENT OF THE WANGANUI ECONOMY

BRIEF ECONOMIC DEVELOPMENT HISTORY

Wanganui is something of a classic provincial hinterland servicing economy. It is located on the edge of a productive primary produce generating hinterland – that produce having expanded over the last fifty years beyond traditional agricultural primary processes to encompass use of other physical resources of the region, notably its physical environment (in tourism and environment based sport) and the impact of settlement within that environment (Iwi settlement history and the river)¹⁸.

The last century has seen two major growth periods – the first from the turn of the century to the mid-1920s, the second in the two decades following WW II. Since that time the district has – along with other provincial centres - experienced declining population growth, outward migration and economic slowing if not decline.

Concern about the desirability of halting or reversing these trends extends back some 20 years and the region (including the city) has been the focus of a number of regional development initiatives¹⁹.

PERFORMANCE – BRIEF BACKGROUND

The last decade (and indeed periods earlier than that) has seen declines in economic performance in the region and the city. In particular regional and district GDP has lagged behind that experienced nationally (bearing in mind that national GDP performance was not outstanding as a benchmark).

Population declined by 3.9% over the five years to 2001 and current projections remain modest in the extreme. The cause has been out-migration coupled with the economy's inability to offer employment at competitive rates which might attract replacement population, and falling birth rates.

The 1980s saw very significant state sector re-structuring (in rail, government capital works, education administration and like state activity) which had significant impacts on the district in two ways:

- First the actual loss of employment and employment options these activities and the commercial functions which supported them offered; and,
- Second, the fact that previous national level attempts at regional development had stressed government activity in regions made such regions dependent on that activity. When re-structuring saw it withdrawn, significant gaps were left.

At least to some extent a dependency had been created while other initiatives which might have grown up had lain dormant.

¹⁸ Fuller descriptions are contained in the Wanganui District Economic Development Strategy 2003 (Wanganui District Council 2003), and material produced by the Ruapehu/Wanganui/Rangitikei Regional Partnership.

¹⁹ For example, Higham and Wheeler of the University of Otago Business Development Centre developed strategies for maximising the economic benefits of the port in 1979.

APPENDIX II: TOURISM

Comparative Factors

Factor	Comment
Risks with servicing agriculture	Agricultural servicing towns are subject to all the risks which primary industry is – commodity prices, exchange rate risk, international trade barriers, changing food consumption patterns and, in New Zealand, distance from markets. While popular in New Zealand, primary product based strategies are also risky.
Tourism risk is comparatively manageable	Almost every risk cited above for primary production is beyond the control of the producer. That is less the case with the service intensive tourist industry. Success depends heavily upon strong management, innovative product offering and marketing. Not all risks are manageable but more are than in other sectors.
New Zealand cost structures in other industries are not competitive	Much as many would wish it was not the case, the fact remains that cost structures, especially labour costs, mean that manufacturing and traditional industrial activity is simply not competitive. It does not provide (and is unlikely to) a growth path for economic development and certainly not of the order of magnitude of that offered by tourism.
Tourism in New Zealand has only minor exposure to governments and political risk	A number of industries (for example education and health) have inseparable links to and therefore exposure to governments and policies which are subject to political whim. While government support for tourism is common, dependence is not except in critical areas such as border control. Independence of the instability which exposure to government brings is an advantage not to be underestimated.
Tourism need not be capital intensive	Unlike manufacturing, technology based industries and even primary production, tourism and growth in the tourist industry need not be heavily capital intensive. While some parts of the industry require heavy investment (international accommodation for example) others (for example interactive tourism opportunities such as those offered by the River) do not.

APPENDIX III: VALUATION METHODOLOGY

Step	Rationale	Comment
Establish that Built Heritage Assets can drive a premium	Mere existence of heritage does not guarantee it is significant as a tourism driver.	A series of local consultative exercises provides anecdotal support for the more wide ranging research commissioned by Tourism NZ. That research confirms the very strong “driver” characteristics of built heritage assets in tourism experiences.
Adopt brand premium concept	The focus is on the additional value which may attach to heritage built assets as opposed to “any” built assets.	Alternative methods have significant technical problems, involve significant amounts of “noise” in their findings and are complex and costly to implement.
Establish that WDC is not “already living off” a brand premium for built heritage.	If existing spending fully reflects all the potential for a premium then the value of the assets is already “priced”. If not there is additional potential.	The evidence suggests that the region at least – to the extent that Taranaki and the region encompasses Wanganui – is not noted in this respect. Other areas which do have profiled built heritage feature in strong participation ratings. Measures of local perception via surveys and fora seem to confirm this impression.
Establish plausible premium for brand	A mid-range choice may be made. In this case 25% was chosen.	Published data for a wide range of goods and services suggest premiums ranging from 15% to 40% or more. While these premiums are not for tourist product directly, the same principles are involved.
Adjust downward for existing premium effect.	To some extent existing expenditure may reflect a premium. This is considered to warrant a downward adjustment of 5% to give net premium of 20%.	The research on the competitive position of Wanganui’s built heritage (behind others) confirmed by local perceptions research (poorer image than desirable) suggests that the premium available is largely unexploited.
Express premium	Applied to estimates of annual tourist expenditure suggests that the built heritage asset could be worth \$17m annually in direct expenditure.	Current expenditure is estimated at \$84m annually. A 20% premium would lift this to \$101m for a “value add” of \$17m.
Provide examples	Such a value might be seen in different forms such as increased visits, increased length of visit or increased spend per visit.	In added visitor nights the value represents 155,300 days and in spending (if visits remain constant) some \$22.63 per night.
Discount effect	Loss of built heritage asset can be thought of as producing the obverse effect.	Losses might be experienced – of the same order of magnitude for each of the parameters used above.

 APPENDIX IV: STEPS FOR ESTIMATING MULTIPLIERS

Step	Comment / Explanation
Adopt latest Input Output multipliers from National tables.	Source is Department of Statistics as summarised by the NZ Institute of Economic Research ²⁰ . Taken from most recent NZ Statistics Dept. (1996) ²¹ .
Adjust National figures to Wanganui District	The location quotient method was used whereby relative shares of different sectors are used to adjust the multipliers so that spending “leaking” out of the region (for example purchase of inputs outside the district for goods sold in the district) is eliminated and industry transactions are estimated at levels appropriate to the local economy.
Estimate District Output, Income and FTE employment for the Wanganui District	FTE employment is the simplest parameter to estimate since Census figures of actual employment are available. For Output, the NZ Statistics Enterprise Survey provides a base National case for sales (called income) for 18 sectors. This was scaled to the District level. For income, salaries, dividends and proprietors takings were extracted from the same survey. These too were scaled to the District level.
Estimate split of tourist spending within the economy at the Wanganui District level.	A critical determinant of economic impact concerns which sectors spending takes place in. Tourism NZ surveys ²² were used to determine the split then expenditure was allocated accordingly from the premium attributable to built heritage branding. Categories were combined where necessary to achieve compatibility. Where survey data was not available national figures were scaled to the District level as proxies (two minor cases).
Repeat these steps for Income and FTE employment	In the case of employment productivity ratios were used to estimate multipliers. Shares were allocated as indicated.
Calculate impacts using resulting multipliers	The results are shown in the summary table.

²⁰ “The University of Auckland Economic Contribution to the Auckland Region”, NZIER, 2002

²¹ This data may seem inordinately “old”. Input output data is traditionally dated world-wide because of the length of time taken to collect and present it. New Zealand data is of good quality and timeliness in this respect.

²² See www.tourism.govt.nz