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## The Management of Built Heritage: A Comparative Review of Policies and Practice in Western Europe, North America and Australia

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**The Management of Built Heritage:  
A comparative review of policies and practice  
in Western Europe, North America and Australia**

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**Abstract**

Internationally, patterns of government policy are trending away from traditional approaches to the conservation of the built heritage involving direct public funding, limiting subsidy and acquisition to the most cherished exemplars of national character. The evolving contemporary approach is one of partnership between stakeholders in the public and private domain to leverage their relative strengths whilst recognizing the constraints of market conditions and public sector imperatives.

As a consequence of the limited ability of the untrammelled property market to incorporate values of cultural heritage which accord with those held by the broader voting public a continuum of legislative regimes has been generated across diverse jurisdictions to protect such buildings and places in accordance with local preferences. The physical – and often dramatic last minute – on-site confrontations with bulldozers which accompanied many early instances of saving built heritage have metamorphosed into less visible but often equally committed encounters in the milieu of the legislature or courtroom.

Building on Pickerill's (2002 & 2007) work in North America and Western Europe, this paper will compare funding mechanisms, stakeholder involvement and area based heritage conservation models from Western Europe and North America with those of Australia. More specifically, the domain of enquiry will consider Pickerill's bifurcated model of the new governance of financing for conservation which recognizes the duality of tool knowledge and design knowledge. Examples from practice in Europe, America and Australia will provide an illustration of these mechanisms.

**Key Words**

Built heritage management; heritage policy review; Funding mechanisms; Integrated area-based conservation strategies; Stakeholder motivation; Western Europe; North America; Australia.

## **Introduction**

Conservation of the built heritage consistently faces challenges in the availability and use of limited resources, political and legislative mandates and land use issues. The inability of the property market to reflect the wide range of values of the built heritage means that many destructive development projects are implemented on the basis that they generate higher financial benefits. Classical market failure arguments have dominated the debate in cultural policy formation, highlighting the need to identify externalities and providing a rationale for government intervention (Netzer 1978). Built heritage conservation activity is characterised by a diversity of government intervention mechanisms underlying the existence of different and often conflicting perceptions of the threats facing the architectural heritage resources and the inter-relationship between the various stakeholders involved within particular institutional settings.

A plethora of publications, conventions and recommendations by the Council of Europe continually highlight the desirability of creating favourable economic environments to encourage private investment in conservation activity by promoting sponsorship, using public funds more effectively and diminishing risks perceived by investors (COE 1975, 1976, 1985, 1988, 1991). More recently, the Parliamentary Assembly of the Council of Europe highlighted the need for the identification of international best practice in this regard (COE 2003).

The new 'governance' approach to architectural heritage conservation, via a collaboration of public/private partnership arrangements, aims to relieve the curatorial and financial burden of both public and private stakeholders in the conservation process thereby securing sustainable conservation practices and cultural identities. Such public / private partnership arrangements involve collaboration between various levels of government with heritage trusts, foundations, limited liability companies and local communities. Two bodies of knowledge that are critical to the new 'governance' of financing the conservation of the architectural heritage are:

- (i) Tool knowledge: the operating characteristics of the different tools used to finance the conservation of the architectural heritage; the stakeholders they engage and how they influence conservation activity;
- (ii) Design knowledge: how to match tools to architectural heritage funding problems in light of conservation objectives and political traditions.

## **Defining the Domain of the Enquiry**

The scope of the term 'built heritage' (also termed 'architectural heritage') has been continually broadened in recent decades. This research focuses on tangible immovable 'built heritage' including "Monuments<sup>i</sup>, Groups of buildings<sup>ii</sup> and Sites<sup>iii</sup>" as defined in Article 1 of the Convention for the Protection of the Architectural Heritage in Europe (Granada Convention) (COE 1985).

Throsby (1997 p.15) invokes the notion of 'cultural capital' and provides a definition specifically in the context of immovable heritage as *"the capital value that can be attributed to a building, a collection of buildings, a monument or more generally a place, which is additional to the value of the land and buildings purely as physical entities of structures, and which embodies the community's valuation of the asset in terms of its social, historical or cultural dimension"*. Decision-making in this area could utilise the familiar mechanics of investment appraisal.

The Amsterdam Declaration defines 'integrated conservation' of the cultural heritage of the built environment as *"the whole range of measures aimed at ensuring the perpetuation of that heritage, its maintenance as part of an appropriate environment, whether man made or natural, its utilization and its adaptation to the needs of society"* (COE 1976). In the context of built heritage conservation, the area-based approach identifies a geographically defined urban area, characterised by an accumulation of physical, economic and social problems, as a platform for the mobilisation and co-ordination of various stakeholder initiatives to resolve problems. Financial resources and funding mechanisms form an essential part of an integrated approach to the management of heritage assets in the urban environment.

### **Built Heritage Regulatory and Funding Mechanisms as 'Tools' of Government Action**

A distinction can be made in financing the conservation of the architectural heritage by invoking the difference in Classical<sup>IV</sup> and Keynesian<sup>V</sup> (after John Maynard Keynes) economic theory. Classical economics concentrates on indirect government action and the only role of government, in the subject area, is to provide the incentives for the suppliers to increase or enhance the architectural output of the nation. Classical economic thought emphasises creating the correct economic environment in which the private sector operates. This form of government manifests itself in more indirect mechanisms such as tax incentives and the provision of information that enable the producer to reduce the costs of production. Drawing on Keynes' general ideas, the output of the architectural heritage can be enhanced and increased by direct government intervention. In Keynesian economics, government directly increases output via direct central government spending funded by general taxation and borrowing. In the context of this research paper direct government spending would include grants and direct government loans.

Funding mechanisms for the conservation of the architectural heritage may be categorised into direct and indirect tools of government action as outlined in table 1.

**Table 1: Tools of Government Action with the aim to improve / enhance architectural heritage conservation activities**

<b>Direct Tools / Demand Side:</b> Consumers/demanders <ul style="list-style-type: none"> <li>• Citizens of country</li> <li>• Government</li> <li>• Tenants</li> </ul>	<b>Indirect Tools / Supply Side:</b> Incentives to suppliers/producers <ul style="list-style-type: none"> <li>• Owners/investors</li> </ul>
Grant-aid	Tax incentives (discretion is in the hands of taxpayers)
Direct government loan	Loan guarantee
Regulation	Heritage information and technical advice
Direct service provision by government	Easement donations and transfer development rights

These inter-related tools are the fundamental building blocks with which governments implement heritage policy. The policy actions of state governments with respect to heritage may be mapped to one of the above tools, although in practice tools are often combined for best results rather than utilised in their pure form. The choice of regulatory and financial instruments is influenced, and in some cases constrained, by politics, economic and pre-existing institutional structures, cultural contexts and social relationships.

Howlett (1991) suggests that such choices are also shaped by cultural norms and ideological pre-dispositions, which in turn affect public attitudes toward the state. A strong pro-market bias underlies tool choices in the United States, whereas Western Europe is much more wary of the market and more favourably inclined towards the state. While tool choices are fundamentally political choices, they are also operational choices with significant implications for the management of public affairs. Different tools require different management knowledge and skills.

While tools may have common features making them identifiable, they also have design features that can vary. For example, all grants involve payments from one level of government to either another level of government, a private entity or voluntary agency, but different grants can vary in the level of specificity with which they define the range of eligible purposes, eligible recipients and the methods by which funds are distributed.

### **Spheres of Conservation Activity (Government, Market and Third Sphere)**

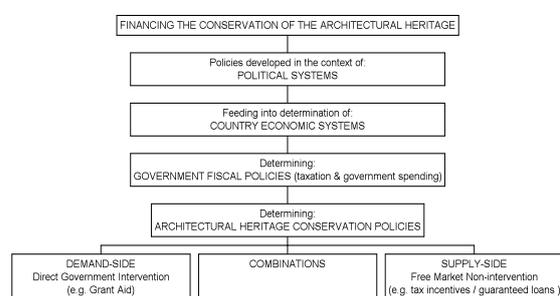
The appropriate nature of various approaches to heritage conservation is dependent upon the values prioritised by the diverse range of stakeholders involved. Owners, occupiers, developers, financiers, entrepreneurs, conservation agencies, local authorities, national governments, sponsors and voluntary bodies will experience a different perception of the costs and benefits of conservation thus creating diversity in the decision-making process. Motivations driven by political, cultural, economic, spiritual and/or aesthetic values for the conservation of the urban fabric may vary among

stakeholders, causing confrontation and acrimonious debate as different culture groups and political factions lobby to have their memories sanctioned by government policy (Bluestone, Klamer, Throsby and Mason 1999). Throsby (1997) indicates that the identification of the range of beneficiaries and potential beneficiaries of conservation of the architectural heritage can provide critical insight into appropriate funding mechanisms.

### Contextual Framework for Country Selection

The term ‘governance’ instead of ‘government’ relates to the collaborative process and reliance on a wide variety of third parties in partnerships with government to address public problems. The governance traditions of Australia, USA, Canada and the different countries within Western Europe are diverse. The implementation of architectural heritage policy instruments (regulatory or financial) are deeply embedded in the history and power structure of countries affected by political ideology, different government visions, legal traditions, and administrative settings, as illustrated in figure 1.

**Figure 1: Political and Economic Systems Driving Heritage Policy**



Different political movements have different preferences with regard to the way government intervenes in social relationships. Frey (1999) states that policy decisions are determined by the political-economic equilibrium within a given constitution. Zimmer and Toepler (1999) suggest that cross national differences in cultural policies are related to variations in welfare state regimes as cultural policies in any country are deeply path-dependent leaving little room for variation. The 1980s became the year of ‘shrinking government, deregulation and privatisation’ under the Thatcher (UK) and the Reagan (USA) administration which strongly opposed active state intervention (Zimmer and Toepler 1999). As a result, market mechanisms got a higher priority for the distribution of goods and services and deregulation became an item on the political agenda of Western European democracies. Current

public policy incorporating the concept of the welfare state is in transition as governments worldwide are unfolding the role of the State.

The countries selected in this research study are representative of the broad spectrum of “political-economic” orientations (as indicated by Frey) and illustrated by figure 2. The countries illustrated are old established western democracies.

**Figure 2: Market Orientation**



Source: Adapted from Begg, Fischer and Dornbusch (2000)

‘Left’ political economies are represented in the study by Denmark<sup>vi</sup>. Scandinavian countries rank high with respect to their degree of social democratic corporatism as corporate stakeholders such as trade unions, professionals and business associations, umbrella non-profit organisations and political parties play a significant role in the process of policy formation and implementation (Zimmer and Toepler 1999). Centre political economies are represented by France, Germany, the Netherlands, Belgium, the UK and Ireland. The ‘Right’ is represented by the USA and Canada. Olasky (1992) notes, for instance, that a characteristic feature of public policy in the United States is its heavy reliance on third parties to implement Federal government programmes. The dominance of non-profit organisations in the USA is largely a historical legacy due to a lack of a feudal aristocratic heritage of cultural institutions and a strong Republican tradition of limited government. The lack of a sympathetic federal approach to heritage policy in Canada has resulted in the dominance of non-profit conservation activity with the consequent dominant influence of market forces.

The market model did have an impact in Europe in the 1980s. Apart from the United Kingdom (UK), the pendulum swung less far in Europe than in the United States (USA) (Salamon 2002). In all of the countries selected for this research study, there has been a movement towards the political and economic ‘right’. Ireland has followed the UK with decentralisation, deregulation, privatisation and shrinking government<sup>vii</sup>. Although France and Germany are not as deregulated as the UK and US the general movement is in that direction as both countries struggle with sluggish economies. Countries in Western Europe differ in the way the welfare state is institutionalised. European states responsibility for culture is a historical legacy where the supremacy of the Crown was replaced by the supremacy of government. France, Germany, Denmark and the Netherlands are highly committed to public funding for arts and culture (Schuster 1986). These countries as well as the UK and Ireland now increasingly pursue ‘supply-side’ economic policies which favour indirect government incentives as distinct from ‘demand-side’ economic policies which favour direct government support and

intervention.

Western European countries are experiencing growing interventions from the trans-national level, in particular the European Union, issuing directives and regulations for implementation by its member states. Salamon (2002) suggests that differences in government styles among European countries will diminish as the policies of member states become harmonised<sup>viii</sup>. This harmonisation will be complicated by the decision to admit new members with varied governing traditions and stages of development. International strategies to protect and conserve architectural heritage have also been successfully developed through the United Nations Educational, Scientific and Cultural Organisation (UNESCO). The world heritage list has demonstrated that governments, spurred by public interest, can agree on a world value on which to base a complex institutional charter and channel national cooperative actions.

### **Tool Combinations and Allied Regulatory Measures**

The main tools of government action to encourage voluntary repair and maintenance of heritage assets, by owners and guardians, include regulation; grant-aid; low interest and guaranteed loans; fiscal incentives; easement donations; and transfer development rights. Various regulatory and funding mechanisms can be combined to blend the advantages and disadvantages of different tools into a more palatable politically acceptable policy. Most countries combine regulation with the grant aid tool in addition to some form of additional fiscal incentive.

While broad similarities exist in the choice of regulatory and funding mechanisms by national governments, a proliferation of variations in the design and implementation of these mechanisms has evolved in the countries under examination. As a rule, financial support is subject to an agreed plan of works for conservation repair, and in enlightened cases maintenance work, but not improvements such as the provision of new utilities. In most cases, support is subject to public access requirements (with the exception of Denmark and France). The blending of regulatory and funding instruments, creating a variety of suites of complementary tools to offset risk of private sector investment in architectural heritage conservation, is evident within a number of different national and local area-based heritage conservation strategies.

Countries with low levels of state subsidies for heritage conservation activities must rely heavily on direct regulation to conserve heritage assets. Politically this strategy is not popular as owners of protected heritage structures must bear the burden of repair and maintenance costs without little or no compensation from the government. Sanctions for non-compliance with national regulatory policies in all of the countries examined are often of limited use as authorities are reluctant to use force against private owners without economic compensation and only take action in the most severe cases due to the fear of political backlash. In general, the low level of fines applicable in the event of non-compliance is not sufficient to act as a deterrent highlighting

a lack of political commitment to heritage conservation. Enforcement of regulatory policy by local authorities is hindered by a lack of available resources to monitor compliance and the fear that funds are not available to carry out the ultimate sanction of expropriation. To avoid expropriation, the City of Bruges in Belgium discourages neglect via a punitive incremental tax on vacant and derelict buildings. Where deliberate neglect of a protected structure (listed building) can be proved in the UK, legislative provision exists for minimum compensation. Following expropriation, buildings may be sold on to a Building Preservation Trust (BPT) for repair. Criminal proceedings, resulting in imprisonment are only used as a measure of last resort in all countries examined. The administration of heritage regulatory policy in federal administrations (Australia, Belgium, Canada, Germany, USA) is complicated by multiple heritage designations and variations in administrative procedures within the tiered system (federal, state and municipal) of government.

## **Country Comparisons**

### REGULATION:

In broad terms, the emphasis in Europe is mainly on statutory regulatory policies allied with direct state provision of grant aid for conservation activities with a number of countries allowing additional indirect tax relief and loan guarantees on the portion of non-subsidised costs. In the absence of strong regulatory powers at federal level and the sporadic nature of state enabled local historic preservation ordinances, the emphasis in the USA and Canada is mainly on indirect tax incentives to encourage conservation activity. The use of conservation easement donations as a condition for receipt of financial assistance facilitates protection of architectural heritage resources at local level through state enabled legislation. While the North American approach is more likely to attract investors into the heritage conservation market, due to weaknesses in federal conservation regulations, the result is the potential loss of important non-renewable heritage resources. Countries that rely on strong regulatory mechanisms are less likely to attract private investment in conservation of the architectural heritage unless substantial state subsidies are available to alleviate investor's perceived risk. A range of allied non-finance based instruments, such as clarity in national heritage policy and processes, simplified planning procedures and a guaranteed minimum standard of infrastructure within historic environments facilitate confidence building in relation to the creation of a stable investment environment.

### GRANT REGIMES, LOW INTEREST AND GUARANTEED LOANS:

All of the countries under examination provide a scheme of competitive grant aid for repair work to protected structures ranging from 20% to 90% of eligible repair costs depending on the country, category of owner, revenue generated by the property and the level of public access (only Denmark and France do not require public access). Belgium, France and the Netherlands also provide additional grant aid to cover ongoing maintenance costs. A common criticism of the grant aid mechanism is that administration procedures and strict time

limitations of grant regimes are often considered overly bureaucratic and restrictive by recipients. Evidence suggests that nationally financed heritage funding initiatives, with clear application and administrative procedures for recipients and the provision of multi-annual funding, act as a catalyst to encourage the flow of private sector finance into architectural heritage conservation projects.

In Denmark, low interest loans are available from a revolving fund administered by the National Forest and Nature Agency to finance restoration activities in excess of a grant award. Similarly in the Netherlands, the National Restoration Fund can provide low interest loans. Thus, an owner may receive a grant in addition to tax relief and the remainder in the form of a low interest loan to cover repair costs. To alleviate cash flow problems, grant awards may also be provided in the form of a short-term loan pending satisfactory completion of works and payment of the award. In the UK, the Architectural Heritage Fund provides low interest loans to assist the work of Building Preservation Trusts. In the USA, State enabling legislation facilitates the use of low interest and guaranteed loans in addition to grant aid and fiscal incentives to encourage conservation activity.

#### FISCAL INCENTIVES:

Fiscal incentives offer an effective mechanism to encourage private investment in the repair and maintenance of the architectural heritage by owner-occupiers, owner-investors, developers and investors. There is a strong argument for providing specific tax incentives for the conservation of the architectural heritage in addition to more general urban renewal tax provisions (if available) as there is the danger that without such specific attention to historic resource the resulting renewal will be at the expense of the built heritage. Specific architectural heritage funding mechanisms that utilise the tax incentives include relief from income tax, property tax, value added (sales) tax, transfer tax (stamp duty), inheritance tax and capital gains tax. The main argument against tax relief measures is that they are inequitable as they only benefit taxpayers and high-income earners in particular. Potential inequities of this nature can be resolved, for example, by allowing tax-exempt entities (such as non-profit charitable bodies) and low-income earners to receive a higher level of grant assistance, as is the case in the Netherlands. Although not specifically implemented for the purpose of heritage conservation, the precedent of the tax credit rebate programme in the USA highlights the possibility of providing a rebate of earned tax credits to tax-exempt and low-income earners.

#### *Income Tax Deductions and Credits:*

With the exception of the United Kingdom and Canada, all the countries examined allow the cost of repairs and maintenance to protected heritage structures to be offset against income tax deductions. It should be noted

however that the UK government has recently acknowledged that there may be a case for limited relief set against income for private owners for the maintenance of historic buildings, and the case for such incentives has also been made in Canada. Eligibility requirements to enable owners to benefit from income tax deductions vary greatly from county to country with regard to public access requirements, the quality of work undertaken and allowable additional expenses (such as acquisition costs, insurance, alarm installation and provision of modern utilities). Variations also apply in relation to owner occupied and rented property. Some countries allow additional expenses such as acquisition costs, management expenses for rented property, public liability insurance and alarm installation to be offset against income tax. Improvements such as the provision of modern utilities are only deductible in Germany and the Netherlands. The proactive policy operated by the Danish Historic Houses Owners Association (BYFO) encompassing income tax relief (subsidised 'decay per annum' figure) is designed to encourage systematic maintenance of architectural heritage by private owners to forestall decay and provides evidence that public support for regular maintenance negates the necessity for large scale publicly funded repair projects in the long term.

In the USA certified historic buildings used for commercial purposes benefit from tax credits for "rehabilitation work" which has been regulated by the State Heritage Preservation Officer. Additional tax credits are provided for rehabilitation of such buildings for social housing purposes. The income tax credit system in operation in the USA is arguably more generous than the system of income tax deduction prevalent in Europe. The tax credit system lowers the amount of income tax owed (\$1 of tax credit reduces the amount of tax owed by \$1) whereas the tax deduction lowers the amount of income subject to taxation.

#### *Property Tax Incentives:*

Protected heritage structures in Belgium, Denmark, France, Germany, Italy, Netherlands, Spain, UK, USA and Canada may be entitled to either an exemption, abatement or freeze from property tax which is usually raised at municipal (local) government level. Protected heritage structures in the UK and Belgium must be unoccupied in order to claim an exemption. All residential property and unoccupied commercial property in Ireland is exempt from property tax regardless of heritage status.

#### *VAT/Sales Tax Exemptions and Reductions:*

The standard rate of VAT on the supply of goods and services varies from 16% to 25% in the Western European countries examined. Denmark and Germany do not provide a VAT concession for works to protected heritage structures. Belgium, France, Italy and the Netherlands charge a reduced rate of VAT for dwellings which greatly reduces the cost of works to architectural heritage buildings in residential use. All construction activity is charged at a reduced rate of VAT in Ireland. Only Spain applies a lower rate of VAT specifically for works to protected heritage structures and in the UK some

works are zero-rated or a lower rate of VAT is applied (in the case of repairs to historic places of worship).

Exemptions and reductions from sales tax liability vary greatly by state (USA) and province/territory (Canada) depending on the enactment of enabling legislation. Sales tax concessions are further complicated by the fact that tax liability is levied at federal, state and municipal level, thereby creating a situation where the concession may only be applied by one level of government, leaving taxpayers liable to pay the balance of sales tax to the other levels of government within the federal administrative system.

#### *Donations and Sponsorship:*

All of the countries examined provide a system of tax deductions to encourage private donations/sponsorship to charitable heritage conservation organisations (such as non-profit heritage trusts and foundations), which, in turn, fund heritage conservation activity.

#### *Inheritance, Gift Tax and Capital Gains Tax Concessions/Exemptions:*

Various forms of inheritance, gift tax and capital gains tax concessions/exemptions are available to the owners of protected heritage structures in all of the countries examined with the exception of Denmark and Canada (inheritance tax does not exist in Canada). Eligibility requirements vary greatly from country to country regarding public access, family continuity, holding period prior to sale of property and charitable status of recipient body. France only makes allowance for inheritance but not gift tax exemption. Concessions from capital gains tax applies to protected heritage structures in Germany, but income tax free donations of property in Canada may incur a liability to capital gains tax.

#### *CONSERVATION EASEMENTS & TRANSFER DEVELOPMENT RIGHTS:*

The donation of a conservation easement to a municipal government or local area-based heritage trusts and foundations is particularly important in Canada and the USA where federal and some state/provincial heritage regulatory policy is weak. However, apart from the subjective nature of the market valuation of conservation easement, they are also prone to tax complications. Similarly, Transfer Development Rights (TDRs) play an important role in the attempt to discourage demolition of architectural heritage in Canada and the USA. TDRs are only effective in prime locations during a booming property market where a demand for development rights transfer exists.

#### ***Eliminating 'Demolition By Neglect' by Encouraging the Repair and Systematic Maintenance of Heritage Assets***

One of the most sustainable and cost effective intervention methods in architectural heritage conservation is the encouragement of systematic maintenance, as it reduces the need for large-scale publicly funded repair projects in the long term. The far-sighted system of income tax relief for

maintenance expenditure on protected structures in Denmark (BYFO) is noteworthy, although it cannot be used for improvements that would add to the capital value of the property. The reluctance of government in some countries (notably Canada) to provide financial subsidies to cover ongoing maintenance costs for the architectural heritage has resulted in a situation where some owners refuse to carry out regular maintenance as it is more beneficial to let properties deteriorate and then repair the damage in large scale funded projects. The challenge for policy makers is to eliminate the economic factors that compel owners to defer cyclical maintenance in favour of major repairs stemming from neglect.

Property tax anomalies exist in many countries, which acts as a disincentive to sustainable conservation repair and maintenance activity. For example, where property tax assessments are related to market value assessments, heritage property owners are reluctant to undertake substantial repairs for fear of raising the market value assessment and thus the tax liability. A number of Western European countries have initiated various forms of property tax relief to give special recognition to heritage protection (Belgium, Denmark, France, Germany, Italy, Netherlands, Spain and the UK). In Canada architectural heritage is further threatened by the fact that the property tax is reduced for vacant property which actually encourages the demolition of heritage assets. In the USA the zoned development potential of land beneath heritage buildings is assessed to establish property tax liability. This encourages demolition and redevelopment of heritage assets in areas zoned for high-density development. Many municipal governments in Canada (e.g. City of Edmonton) and the USA (e.g. State enabled in Maryland) have initiated property tax exemptions, rebates and freezes to combat this problem and specifically to encourage action on historic buildings.

### ***The VAT Conundrum for Heritage Policy Makers***

An EU-wide campaign is gaining momentum among heritage lobby groups to encourage unanimity among member governments to specifically recognise the regular maintenance and repair of the architectural heritage in the European Commission's VAT Directive (thereby reducing the necessity for major capital restoration work). Most of the Western European countries levy VAT on works to historic structures at the standard rate with the exception of Spain and UK, which provide some specific VAT exemptions for the protected heritage. Although not specifically directed towards architectural heritage conservation, some European countries charge a reduced rate of VAT for works to all dwellings (Belgium, France, Italy and the Netherlands) or general construction activity (Ireland) thereby indirectly benefiting conservation activity. Denmark and Germany do not provide any VAT concessions for works to heritage buildings. While the VAT treatment of listed places of worship in the UK is commendable, an anomaly remains in relation to the existence of a VAT liability for repair and maintenance but not for alterations to other listed buildings. Sales tax relief for heritage conservation is allowed in many Canadian provinces at provincial level but only relates to the provincial element of taxes (full sales tax is payable at federal and municipal level). While many state-enabled sales tax rebate programmes have been

legislated for in the USA, only a small number of municipal governments have chosen to initiate them (Pickerill & Pickard 2007).

### ***Encouraging Conservation Activity via Private Sponsorship to Heritage Trusts & Foundations***

Heritage sponsorship schemes enable individual and corporate taxpayers to make a charitable contribution deduction, based on financial gifts, legacies and transfer of property ownership to charitable and non-profit organisations such as heritage trusts and foundations. The charitable donation to support heritage conservation (such as an historic building façade or interior feature) to a municipal government or a local area-based heritage trust or foundation is particularly important in the USA where federal, and some state, heritage regulatory policy is weak. However, apart from the subjective nature of the market valuation of such a donation, they are also prone to tax complications. In order to alleviate cash flow problems, property owners undertaking historic rehabilitation projects in the USA may syndicate their entitlement to the federal and state historic rehabilitation income tax credit in order to receive the credit prior to work commencing. Also, in the USA, local heritage conservation activity may be funded via state enabled tax-exempt bond issues.

Non-government organisations (NGOs) have a significant role to play in promoting, lobbying and providing technical and financial support for architectural heritage conservation activities. This research highlights the important contribution of a range of national and local heritage trusts and foundations with non-profit charitable status and limited liability companies to encouraging area-based sustainable architectural heritage conservation activity. Examples of heritage trusts and foundations include:

- Monument Watch operating in Belgium and The Netherlands providing independent technical support (e.g. Monument Watch Flanders);
- Building Preservation Trusts (BPT) financed by the Architectural Heritage Fund (AHF) in England (such as Tyne & wear Building Preservation Trust);
- Non-profit holding companies (GmbH) in Germany (such as Brandenburg GbmH in Berlin) financed by the National Foundation for Architectural Heritage Protection (DSD);
- An Taisce and the Dublin Civic Trust in Ireland;
- Dutch Preservation Society 'Hendrick de Keyser' and the Company for City Restoration 'Stadsherstel Amstel' Amsterdam in the Netherlands;
- Heritage revolving funds in the USA (such as Preservation North Carolina and New York Landmarks Conservancy).

In addition, many national and regional trusts and foundations are charged with the responsibility of discharging state sponsored grant and loan funds for heritage conservation such as the 'King Boudouin' Foundation and the Flemish Foundation for Monuments and Sites in Belgium; the Heritage Canada Foundation and the British Columbia Heritage Trust in Canada; the National Trust and the Architectural Heritage Fund (AHF) in England; and the Heritage Foundation in France.

## **Integrated Area-based Heritage Funding Strategies and the Role of the Third Sphere**

Integrated area-based strategies to encourage conservation of the built heritage facilitate improvement of the physical historic environment in addition to fostering partnerships to tackle combined economic, social and environmental aspects of urban decline through integrated funding strategies. The area-based approaches can produce considerable synergy, as they imply direct involvement of and co-operation with the local community as well as with various public authorities, businesses and heritage organisations. Such strategies typically involve the provision of social (affordable) housing in deprived historic areas and in some case job creation. Evidence from the countries examined indicates that non-government organisations (the Third Sphere), such as trusts, foundations and limited liability companies, fulfil an increasingly important role in the initiation and management of architectural heritage funding strategies incorporating a social agenda as advocated in the Amsterdam Declaration.

In Canada, the Cultural Development Agreement between the City of Montreal and the Province of Quebec provides an interesting example of an area-based partnership to encourage integrated sustainable conservation of the architectural heritage. Under the agreement, Montreal Development Agency (a quasi-public agency), intervene directly in the marketplace to create partnerships with private developers to encourage the sustainable re-use of historic building within the defined boundaries of the historic district through sensitive intervention. (Pickard & Pickerill 2002).

In the UK, English Heritage (EH) distributes grant aid specifically for area-based strategies dealing with repair of the physical historic environment in parallel to economic regeneration, social inclusion and sustainability through the Heritage Economic Regeneration Schemes (HERS). Local authorities must match the level of HERS funding and source additional funding through partnership if possible. HERS funds are distributed to private owners in the form of competitive grants for the repair (not maintenance) of buildings and enhancement of defined conservation areas. The Townscape Heritage Initiative (THI) supported by the Heritage Lottery Fund (HLF) also encourages the formation of partnerships, throughout the United Kingdom, between local authorities, non-profit organisations, regeneration companies and community groups. An example of the success of the HERS and THI initiatives is provided by the formation of the Grainger Town Partnership in Newcastle which co-ordinated heritage regeneration funds through a variety of local, regional, national and European funding partners resulting in substantial additional private sector investment in conservation-led regeneration projects. In addition to halting economic decline in Grainger Town, the Partnership maintained close consultation with the local (affordable) housing associations and the residential and business forums ensuring meaningful community involvement and social cohesion (Pickard & Pickerill 2002).

In France, the Planned Housing Improvement Operation (OPAH), involving a

partnership between the state and the National Housing Improvement Agency (ANAH), provides state grants (and low interest loans if necessary) for private landlords and owner-occupiers to rehabilitate houses in old historic quarters within defined area-based initiatives. The ANAH also provide a parallel Rehabilitation Lease Scheme to finance repairs to sub-standard housing owned by private landlords. The OPAH programme in Bellville, Paris demonstrates the benefits of partnership formation between the state, the local authority (ville), the ANAH and the Belville non-profit foundation to improve social housing and economic conditions in parallel with encouraging conservation of the architectural heritage (Pickard & Pickerill 2002).

State enabling legislation in the USA facilitates local policymakers to blend a suite of funding instruments in order to achieve specific architectural heritage objectives in the particular area-based contexts. For example, the State of Maryland makes provision for an area-based initiative co-ordinated by Maryland Historical Trust incorporating state bond financing, grants, loans, loan guarantees, combined local, state and federal historic rehabilitation income tax credits, property tax reductions and easement donations.

The above examples highlight the positive results that can be achieved by strong state and local authority commitment in partnership with regeneration agencies, voluntary action such as non-profit heritage bodies and committed local community representatives.

### **Political Commitment to Conserving the Architectural Heritage in National, Political, Economic and Social Context**

In all of the countries examined, to various degrees, there is a move away from the traditional policy of direct public involvement in architectural heritage conservation to policies encouraging private investment in conservation activities by altering market conditions, providing financial inducements and by facilitating partnership between public and private stakeholders. In addition, the interplay between physical and social agendas in relation to heritage conservation has come into focus to an increasing extent leading to the development of integrated approaches to remedy the loss of heritage resources. Although community involvement is a common feature in new governance structures, the way this involvement is co-ordinated differs from country to country. In some countries (Belgium, Denmark, France and the Netherlands), the use of a 'governance' approach by local governments is curtailed by strict regulatory and financial control from the regional or national level that is inspired by the 'government' tradition.

A key implication to flow from this analysis is that the choice of heritage funding mechanisms is political in addition to technical. Protection of the built heritage requires a political commitment at a national level through statutory regulations combined with financial support mechanisms and at a local level through the integration of municipal conservation activities with the private sector via partnership arrangements.

Patterns of tool choice, relating to heritage conservation, may attract support in particular national contexts on ideological grounds relative to political predispositions regardless of their ability to solve problems. The rationale for policymakers to use tax incentives as a tool of government is based on the lack of coercion characteristic of tax incentives on the basis that greater choice leads to efficient economic outcomes. If used correctly, tax incentives can correct market failure and avoid costly and politically unpopular direct forms of government action. Political conservatives who embrace limited government favour tax incentives as they do not require the creation of new government bureaucracies. By contrast, political liberals gravitate toward direct government actions such as regulation and grants as the wealthy are more likely to benefit from tax incentives. In the final analysis, the possibilities for financial incentives vary according to the resources available in each country and each locality.

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<sup>i</sup> All buildings and structures of conspicuous historical, archaeological, artistic, scientific or technical interest, including their fixtures and fittings.

<sup>ii</sup> Homogeneous groups or urban or rural buildings conspicuous for their historical, archaeological, artistic, scientific or technical interest which are sufficiently coherent to form topographically definable units.

<sup>iii</sup> The combined works of man and nature, being areas which are partly built upon and sufficiently distinctive and homogeneous to be topographically definable and are of conspicuous historical, archaeological, artistic, scientific or technical interest.

<sup>iv</sup> Classical economics was founded by Adam Smith (1723-1790) who published the 'Wealth of Nations' in 1776. He was followed by David Ricardo (1772 – 1823) who published the first edition of his Principle of Political Economy and Taxation in 1817. Ricardo invoked Say's Law (J.B. Say 1776 – 1832) to provide a theoretical justification for his classical views – the idea that "supply creates its own demand."

<sup>v</sup> Following the Great Recession (1929) Keynes rejected the classical or laissez-faire free market and minimal state intervention view. 'The General Theory of Employment Interest and Money' (Keynes 1936) revolutionised the way the world thinks about economics (Pugh 1993).

<sup>vi</sup> Even though Denmark may now have a 'right' wing government, it still has a highly developed social service economy and consequently the Danish economy can be labelled as a 'left of centre' economy. The distinction between 'left' wing and 'right' wing is blurred as governments world-wide are unfolding the role of the state (Zimmer and Toepler 1999).

<sup>vii</sup> In this context, the term 'shrinking government' refers to economic shrinkage - meaning a move towards lower personal and corporate taxation and lower government spending, which in turn 'crowd-in' private sector investment.

<sup>viii</sup> The idea of complete tax harmonisation, put forward by the Maastricht Treaty (1992), will be difficult to achieve. However, much harmonisation has already been achieved in areas such as interest rates, exchange rates and corporate taxation. It is unlikely that personal tax rates will be harmonised as EU countries cling onto their own fiscal policies, despite the fact that restrictions are placed on individual countries under the 'Stability and Growth Pact' (SGP) (European Council 1997).