

**Submission to the Productivity Commission Inquiry into the Policy Framework and Incentives for Conservation of Australia's Historic Heritage Places**

**A Private Ownership Perspective**  
By Frances Poliniak



Former Commercial Bank, 1 High Street, Lancefield - Circa 1866 - 1871

Australian Heritage Database

- Register of the National Estate (21/10/1980)
- Place ID: 15574
- Place File No: 2/06/078/0009

Macedon Ranges Shire Council Information (Heritage Overlay)

- PS Map Ref HO94
- **No** external paint controls apply
- **No** internal alteration controls apply
- **Yes**, tree controls apply
- **No** outbuildings or fences which are not exempt under Clause 43.01-4
- **Not** included on the Victorian Heritage Register under the Heritage Act 1995
- **Yes**, prohibited uses may be permitted
- **Not** an aboriginal heritage place.

In this submission I will address some of the issues raised in the discussion paper published by the Productivity Commission from the prospective of a private owner of an historic property.

#### History of the Building in Brief

- Architects Vahland and Getzschman (Bendigo)
- Two storey “Conservative Classicism” style
- Built by Donald McKay
- Opened 3 December 1866 on the site
- First Commercial Bank building outside the Melbourne head office
- Arrow cut into bluestone front step said to be the Geographical Centre of Victoria
- Residence for Bank Manager
- Robbery 15 August 1879 by two men posing as the “Kelly Gang” later apprehended in Bendigo
- Take over by Westpac in 1984
- Closed 1994.
- Purchased Mr John Caddy 1994
- Purchased Mr Robert Johns, Ms Frances Poliniak 1996

#### Restoration/Conservation and Conversion

- Damp proofing
- Replacement of floors at ground level
- Complete electrical re-wiring
- Hard wired fire and alarm system
- Complete re-plumbing
- Fully restored in heritage style fittings
- Conversion of manager’s residence to boutique style Bed & Breakfast accommodation

#### Costs / Funding

- Building restoration and conversion costs approximately \$200,000 over 8 years
- Initial expression of interest in the Tax Incentive for Heritage Conservation scheme but this required the value of the project to be >\$5000, employment of a Heritage Architect and completion within 2 years. This scheme was ceased in 1998.
- Nil external funding to date

## **Capturing the benefits of historic heritage conservation**

### ***Is there a need for a comprehensive survey of historic heritage places in Australia? If so, who should fund such a study and how would its findings be used?***

There is a need for a comprehensive survey of historic places in Australia. As approximately 50% of heritage buildings are privately owned, it would be appropriate for the Federal Minister for the Environment and Heritage (via the Australian Heritage Council) to co-ordinate the survey via State / Territory based government (eg Heritage Victoria) for the work to be done by local government who have knowledge of all heritage properties via their Heritage Overlay Schedule and Planning Schemes.

Local government should seek input from appropriate educational institutions to offer the survey as coursework for Bachelor and Masters Degrees with the potential for Doctoral work to be incorporated in the survey.

Funding for such a survey should primarily come from Commonwealth given that the Australian Heritage Council's role is to 'promote the identification, assessment and conservation of heritage'<sup>1</sup>

### ***To what extent does historic heritage conservation generate benefits for the community? How do these community-based benefits compare to the personal benefits which owners of heritage places would receive through conservation?***

Historic heritage conservation generates enormous benefits for the community in giving it a sense of national culture, identity, history and connection with its forbearers. It contributes to national social capital and the wellbeing of the community. Old houses and buildings help to define the character of Australia. They provide us with a sense of place, both locally and nationally, that is part of our sense of being Australian.

Many country towns and villages have suffered problems of economic decline and of depopulation in recent decades. A major asset which such communities can harness is heritage and tourism, as a way of presenting to the visitor an educative and aesthetic attraction.

Owners of places identified as having heritage significance generally have a passion to care for such places and commit enormous resources to conserve such places in their care. This provides architecturally significant buildings to be appreciated externally by the public for such purposes as historical walking tours, or art and photography lessons or practice. The restored inside of such buildings are often available to a community if the building houses a business or

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<sup>1</sup> <http://www.deh.gov.au/heritage/publications/factsheets/fact1.html>

accommodation / tourism. Many owners are so passionate about their buildings that they participate in "open house" events or the like.

For the owner there is usually little benefit other than passion and pride in such a building as the costs are enormous, the time to conserve lengthy and the red-tape required to negotiate local government planning schemes exhaustive. No recognition is given in any valuations used for rating purposes to take into account the high ongoing costs of a heritage building.

Conservation in this case was undertaken as a means of sharing our building with the public and thereby generating commercial benefits by running a boutique style heritage Bed & Breakfast. The distinctive character has been conserved but because of its uniqueness it is difficult for anybody to put a true value on the property thereby potentially excluding the owner from realising the value of this equity in order to pursue other projects. The true value would only be able to be ascertained at the time of re-sale, at which time the owner will be subject to Capital Gains Tax, with no allowance or concession for the cost of the conservation undertaken.

Large businesses conserve heritage places as part of their social and environmental corporate responsibility. They have the advantage of corporate tax rates and directly writing off the costs of conservation whereas private owners are usually subject to private income tax and cannot write off any of the costs unless they are also running a small business from the heritage building.

***What are the benefits to tourism from heritage conservation, and what impact does heritage tourism have on the conservation of heritage places?***

Tourism in country and regional Victoria thrives on heritage. Tourists might be attracted to an area for other reasons such as wine-growing, but usually seek to enjoy the heritage of the area as well. Heritage has now been successfully linked with broader Arts and Cultural events and towns such as Daylesford and Castlemaine, in Victoria, are thriving on these aspects of modern culture linked to heritage.

As soon as a viable tourist market is established and linked to one or two heritage buildings or aspects of a region there is an enormous flow on effect to other business and conservation of heritage buildings.

Lancefield suffered an enormous economic downturn in the early to mid 1990s with the exodus of banks and other businesses. As a town, it nearly lost its identity and its viability. Today there has been a resurgence in population that choose to live in Lancefield because it is a quiet rural town with clean air, beautiful wide High Street and some significant heritage buildings. It is also a commutable distance from the CBD of Melbourne or Melbourne Airport.

Businesses housed in heritage buildings have been at the forefront of the revitalization of Lancefield. These businesses provide employment for skilled tradesmen during the restoration works and then employment for local people when they open as businesses. Such businesses include:

- “The Macedonia” which houses an antique business and café.
- “The Lancefield Hotel” which is a public hotel serving meals 7 days per week.
- “The Weigards Building” which comprises 5 retail shop spaces that house an accessories business, a home wares business and a gallery, with 2 shops currently up for lease.
- Former “Commercial Hotel”, later the Hospital, is now the Lancefield Guesthouse.
- “Derrick’s Shop” was moved to High Street in 1947 and now houses McGowan’s Cafe
- Former “National Bank” is currently being extensively restored and will open later in 2005 as a Gallery and art studio.
- “Farmers Arms Hotel” was extensively fire damaged in the late 1990s and fully restored and now functions as a Bed & Breakfast / Retreat.
- “Cleveland” homestead was fully restored and operated as Cleveland Winery until it was taken over by the Grange Group and is now a corporate function centre and popular place for weddings.
- Former “Commercial Bank” is of course fully restored and now operates as Lancefield Old Bank Bed & Breakfast.

### **Current responsibilities for historic heritage conservation - Private sector - Individuals and Businesses**

#### ***How is the private sector contributing to the conservation of historic heritage places?***

All of the above buildings were privately owned at the time of their initial conservation and restoration. The only one that has now become owned by a corporate entity is Cleveland Homestead, and the new owners have done further conservation/renovation work to convert the Homestead into 5 star accommodations rather than use it as a private home.

The publicly owned heritage buildings in Lancefield have had little or no conservation work in the last 10 years. The Mechanics’ Institute and the Courthouse are on land managed by the Department of Sustainability and Environment. The Mechanics’ Institute has had external paintwork refurbishment but little else. It is extensively utilized by the community for public meetings, dance school, Church groups, and youth groups. The Courthouse functions as a local history museum and is open to the public once per month on a Sunday afternoon. As Lancefield has recently been connected to a new sewerage system, all the buildings will require some works to be carried out.

So, in the town of Lancefield, it is the private sector that is attempting to conserve all the historic heritage buildings.

***Are there constraints on the availability of finance or insurance for historic heritage buildings?***

As previously mentioned, it is very difficult to have a heritage property valued; therefore it is difficult for the owners to realize the equity within that property to undertake conservation or other projects.

***How does interaction between various Acts, and between State/Territory legislation and local planning regulation, impact on heritage conservation outcomes? Is there scope for improvement?***

Heritage conservation outcomes are largely dependent on local planning regulations and the strengths and weakness of the local council's planning department.

Recently in Lancefield, a group of citizens undertook a large, unfunded, streetscape re-development project for the High Street which is heritage listed as the "Lancefield Central Conservation Area". They were allowed to submit the final plans to Council for a planning permit having sought no input from the Heritage Advisor. There were over 60 objections to the project from concerned individuals and fortunately for the heritage of the town the proposal was denied by Council but only after enormous effort and public outcry.

This simple example shows that there is major scope for improvement in interaction between Federal, State and Local government Acts, legislation and local planning regulations.

***Are State and Territory heritage councils (or authorities) producing efficient outcomes for heritage conservation? Are their functions appropriate? How well do they balance private and public development needs with historic heritage conservation?***

Personally, as a private owner of a heritage listed building I was not aware of the functions of Heritage Victoria until I commenced research for this submission. I have been on the mailing list for the Department of Heritage and Environment since 1996 but there has never been any linkage to the State based organization. I have also been a member of National Trust, and likewise there was no linkage to Heritage Victoria

**Heritage Listing**

***How does local government recognise and protect historic heritage places?***

Lancefield falls within the Macedon Ranges Shire Council which has a heritage overlay schedule as part of its planning scheme. This seeks to restrict alterations to external painting of buildings, internal modifications to a building, tree controls on a property, outbuilding and fencing controls and by prohibiting some uses for some buildings.

This heritage overlay schedule is not widely publicised as evidenced by the recent Streetscape Project that was allowed to get to the stage of a planning permit application without input from the Council's Heritage Advisor. When the heritage advice was sought, it was not in support of the project but was then largely ignored by the elected Councillors and came down to a very close vote that could have seen the complete face of Lancefield's High Street altered. The level of protection of historic heritage places by local government is haphazard and open to political manipulation by both Councillors and Council Officers.

On my own property there are tree controls but there is only one significant tree after the property was subdivided by the previous owner. The previous significant trees are now on the adjoining property that has no tree controls! We recently applied for a planning permit to build a new garage on our property (to get our cars off the street) and had the architect designed plans knocked back on heritage grounds and advice that all we can build is a tin shed similar to what currently exists! This can lead to great conflict at a local level between property owners and neighbouring property owners and between property owners and Council.

***To what extent do local governments provide clear guidance about the rights and responsibilities of owners of heritage-listed properties?***

In my particular case the local Council has provided no information regarding the rights and responsibilities of owners of heritage listed properties. When the property was purchased in 1996 there was no specific communications from the Council that the property was affected by the heritage overlay. In 9 years of ownership we have had one letter from council that informed us that there were tree controls on the property. Three months later we were informed by council that if we did not cut back a tree from the front fence line we would be fined! I have done all my own research to find out about the heritage overlay.

**Funding and other assistance**

The owners of heritage properties are bearing too much of the financial burden. The 'built heritage' in Australia has relied on the commitment from owners, both in a financial aspect and in time, together with their passion to see significant heritage buildings retained for future generations. However, this approach from owners cannot continue indefinitely as buildings become

older, and our communities become increasingly aged and interest rates begin to rise again.

***How effective and efficient have grant programs, tax deductions and concession programs been (past and current) in conserving heritage places?***

Grants are very difficult to access as a private owner of a heritage building. You need to actively seek information about when grant monies will be offered and continually keep your finger on the 'political pulse' to see if you can access funding. The Department of Heritage and Environment have kept me on their mailing list so I was aware of Federal changes to funding and exclusion as a private "listed but not classified" property. Heritage Victoria makes no pro-active contact with the owners of heritage buildings to inform them of funding possibilities. Local government offers no support to private owners of heritage properties but offers plenty of hindrance when you want to make any alterations. Generally, grant schemes are poorly communicated and poorly co-ordinated.

Tax concessions offered under the "Tax Incentive for Heritage Conservation Scheme" ceased in 1999. They were highly bureaucratic and involved the employment of a Heritage Architect and the project need to be significant in financial expenditure (>\$5000) but completed within 2 years. This did not cater for the room-by-room, small project approach to the full restoration of a building in a longer period of time.

Under the current provisions of the Income Tax Assessment Act, no special provisions are applicable to the expenditure of either a capital or operational nature that owners incur on a heritage building. If all expenditure on the fabric of a heritage listed building was fully deductible, then owners would be much more inclined to commit their funds. No special depreciation rates are available and the standard rates are so low that owners, on many occasions, are reluctant to carry out such important capital expenditure to ensure the safety of a building, particularly when it is unlikely to add any value to the building.

There should be automatic financial incentives that a heritage building owner would be entitled to receive that would encourage the listing and conservation of heritage buildings throughout Australia and its territories.

With financial assistance in place it increases the attractiveness of owning a heritage property and the ability for the owner to be able to maintain the site without facing a personal financial loss. This especially applies if substantial costs are involved in preservation and upkeep due to the heritage values of the property (e.g. carefully restoring a heritage house compared with doing less expensive but incompatible renovations).

## **Conclusions**

- There is a need for a comprehensive survey of historic places in Australia.
- Owners of places identified as having heritage significance generally have a passion to care for such places and commit enormous resources to conserve such places in their care – such passion can only last “so long”.
- The owners of heritage properties are bearing too much of the financial burden.
- Historic heritage conservation generates enormous benefits for the community in giving it a sense of national culture, identity, history and connection with its forbearers and that is part of our sense of being Australian.
- It is very difficult to have a heritage property valued; therefore it is difficult for the owners to realize the equity within that property to undertake conservation or other projects.
- There should be automatic financial incentives that a heritage building owner would be entitled to receive that would encourage the listing and conservation of heritage buildings throughout Australia and its territories.
- Incentives should take the form of tax concessions and be back-dated to the cessation of the previous Tax Incentive for Heritage Conservation Scheme.
- Grants and loan schemes should be more widely advertised and directly communicated to the owners of all heritage listed buildings.