

Public Good vs. Owner Financial Impact: 169 Forbury Road Heritage Listing

Introduction:

This analysis compares the public good resulting from the heritage listing of 169 Forbury Road against the financial impact on the property owner, based on two assessments: the Dunedin City Council (DCC) Heritage Assessment and the Counter Heritage Assessment, along with the owner's financial impact analysis. The report also provides detailed calculations of the owner's financial loss due to the potential heritage listing.

Public Good: Heritage Listing Impact

The DCC's Heritage Assessment suggests the property meets historical, social, and design significance, primarily because it is associated with notable Dunedin families and is an example of English Revival architecture. These heritage designations are intended to preserve both the architectural style and social history associated with the property.

Public Benefit Summary:

- Cultural Preservation: Protecting this property maintains an example of early 20th-century architectural design, contributing to Dunedin's cultural and historical landscape.
- Historical Continuity: Retaining links to notable Dunedin families enriches the social fabric and historical continuity of the city.

However, the Counter Heritage Assessment disputes the uniqueness of the property, stating that the design is neither rare nor innovative for its time. It argues that listing 169 Forbury Road as a heritage site would provide limited public benefit when compared to other heritage sites in Dunedin.

Owner Financial Impact: Heritage Listing

The potential heritage listing would impose significant financial costs on the property owner. Below is a breakdown of each financial impact, with calculations provided for clarity.

A. Increased Maintenance Costs:

Older properties generally require higher maintenance costs due to age-related wear and tear. For a 90-year-old property like 169 Forbury Road, standard annual maintenance costs are estimated at 1.5% to 3% of the property value. The current market valuation of the property is \$2,200,000.

- Standard Maintenance Cost:

- Low estimate (1.5% of \$2,200,000): \$33,000 annually.
- High estimate (3% of \$2,200,000): \$66,000 annually.

Heritage status would increase maintenance costs by an estimated 15%, as heritage properties typically require more expensive materials and methods for upkeep.

- Increased Maintenance Cost (15% increase):
 - Low: $\$33,000 \times 15\% = \$4,950$ additional annually.
 - High: $\$66,000 \times 15\% = \$9,900$ additional annually.

B. Consent and Renovation Costs:

Obtaining consents for even minor alterations on heritage-listed properties can be both time-consuming and expensive, particularly for heritage properties, which often have more stringent regulations. Based on comparable heritage properties in New Zealand:

- Consent Costs Estimate: \$20,000 to \$30,000 one-time.
This estimate accounts for the need to gain approval for repairs and renovations that maintain the historical integrity of the property.

C. Increased Insurance Premiums:

Heritage properties generally have higher insurance premiums due to their age and the high cost of restoring historical features after damage. According to the insurance documents for 169 Forbury Road:

- Current Insurance Premium: \$12,275.97 annually.
- With heritage listing, insurance premiums typically increase by 20-30%:
 - Low estimate (20% increase): $\$12,275.97 + 20\% = \$14,731$ annually.
 - High estimate (30% increase): $\$12,275.97 + 30\% = \$15,959$ annually.
- **Increased Insurance Cost:** \$2,455 to \$3,683 annually.

D. Property Devaluation:

Heritage listing often restricts the potential for redevelopment, which can significantly reduce the market value of a property. Based on historical data, heritage properties may experience a devaluation of 30%:

- Current Market Value: \$2,200,000.
- Devaluation (30%): $\$2,200,000 \times 30\% = \$660,000$.

This devaluation represents a substantial reduction in the potential resale value of the property.

E. Lost Development Opportunity:

If the property were not heritage listed, the owner could potentially redevelop it into 22x 2-room townhouses, with each townhouse valued at \$790,000. The total development value would be:

$$- 22 \times \$790,000 = \$17,380,000.$$

However, we must account for the estimated construction costs for these townhouses. Using an average construction cost of \$3,000 to \$4,000 per square meter, and assuming each townhouse is 80 square meters, the total construction cost would be:

$$- \text{Low estimate: } \$240,000 \times 22 = \$5,280,000.$$

$$- \text{High estimate: } \$320,000 \times 22 = \$7,040,000.$$

Thus, the net development opportunity (total development value minus construction costs) would be:

$$- \text{Low estimate: } \$17,380,000 - \$5,280,000 = \$12,100,000.$$

$$- \text{High estimate: } \$17,380,000 - \$7,040,000 = \$10,340,000.$$

This represents the financial opportunity lost due to the restrictions imposed by heritage listing.

The Resource Management Act (RMA) and Property Rights:

The Resource Management Act (RMA) was designed to balance the protection of New Zealand's natural and physical resources, including historic heritage, with the economic well-being of individuals and communities. Section 6 of the RMA highlights the need to protect historic heritage from inappropriate subdivision, use, and development. However, it also emphasizes that this must be balanced with economic viability and the property rights of landowners.

In the case of 169 Forbury Road, imposing a heritage listing under the RMA would restrict the owner's ability to develop the property, potentially making it "incapable of reasonable use" as outlined in Section 85 of the Act. The restrictions could significantly limit the property's development potential and economic utility, especially given the large landholding in a sought-after area like St. Clair. This conflicts with the RMA's broader objective to enable people and communities to provide for their social, economic, and cultural well-being.

The RMA was not designed to impose undue hardship on property owners by protecting properties of minor or questionable historical significance. In this case, given that 169 Forbury Road lacks a strong historical connection or architectural uniqueness, it is crucial to reconsider whether the heritage designation is appropriate under the RMA's sustainable management principles.

Public Good vs. Owner Financial Impact

Category	Public Good	Owner Financial Impact
Cultural/Architectural Value	Preserves an example of English Revival architecture and historic associate with notable families	Devaluation of \$660,000; House's design is not unique in the area according to counter-assessment
Social Benefit	Maintains historical continuity of significant Dunedin families.	Lost Development Opportunity: \$10.34 to \$12.1 million in potential housing
Community Impact	Adds to Dunedin's rich architectural and social heritage	Restricts development of much-needed housing in St. Clair
Economic Impact	Minimal direct public economic benefit	Increase annual costs: \$7,405 to \$13,583, plus one-time consent costs (\$20,000 to \$30,000)

Conclusion:

While the public good derived from preserving 169 Forbury Road lies in maintaining an architectural example and historical continuity, the financial burden on the owner far outweighs the public benefits. The property's design and historical significance are neither unique nor extraordinary, and the heritage listing would severely limit the owner's ability to develop the property, resulting in a potential financial loss of over \$11 million.

Recommendations:

1. Reconsider the heritage listing, especially given the minimal public benefit and significant financial impact on the owner.
2. Provide compensation to mitigate the owner's financial losses, particularly the opportunity costs of development.