

The Role of Public-Private Partnerships and the Third Sector in Conserving Heritage Buildings, Sites, and Historic Urban Areas

Research Report

Susan Macdonald
and Caroline Cheong



The Getty Conservation Institute

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LOS ANGELES

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The Getty Conservation Institute works to advance conservation practice in the visual arts, broadly interpreted to include objects, collections, architecture, and sites. It serves the conservation community through scientific research, education and training, model field projects, and the broad dissemination of the results of both its own work and the work of others in the field. And in all its endeavors, it focuses on the creation and dissemination of knowledge that will benefit professionals and organizations responsible for the conservation of the world's cultural heritage.

Front cover: Plaza de San Francisco in the historic center of Quito, Ecuador. Public-private partnerships have been instrumental in the urban regeneration of the historic center. Photo: Susan Macdonald.

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Foreword

The conservation of cultural heritage requires the involvement of multiple actors from across the public, private, and nongovernment sectors, not only to initiate and carry out conservation but also to sustain the heritage place after the intervention. The practical methods and mechanisms used to achieve these outcomes have only recently become the subject of literature. Conservation of the historic urban environment in particular poses specific and urgent challenges that require a multidisciplinary approach, in which conservation actions are embedded within economic, social, and environmental development strategies. Increasingly, the private and the nongovernment sectors are playing pivotal roles in these processes.

The Getty Conservation Institute (GCI) has long been involved in the conservation of urban sites and their environs through a variety of collaborative projects. These include specific urban conservation initiatives, such as the work carried out in the 1990s to assist in preserving the historic center of Quito, Ecuador, and the current work to help the City of Los Angeles identify its cultural heritage assets through SurveyLA. In addition, beginning in the mid-1990s, the GCI's interest in the values and benefits of cultural heritage conservation has led to a body of work that advances understanding of the role heritage conservation can play in the cultural, economic, and social development of society. This research informed the GCI's approach to conservation practice generally as well as particularly, with regard to urban conservation.

In response to a growing need throughout the world for conservation action, the GCI created the Historic Cities and Urban Settlements Initiative. This work commenced with research to assess the state of conservation practice in the historic urban environment and to identify needs in the field. Between 2005 and 2013, the GCI supported the Organization of World Heritage Cities by developing the scientific programs and running the Mayors' Workshops for its biannual congresses in Cusco, Peru (2005), Kazan, Russia (2007), and Quito (2009). The GCI also ran the Mayors' Workshops at the congresses in Sintra, Portugal (2011), and Oaxaca, Mexico (2013). The 2009 scientific program included a panel discussion on the role of public-private partnerships in the conservation of historic cities.

During preparation for the 2009 Quito congress, it became apparent that there was a dearth of information on the use of public-private partnerships for urban conservation. This publication seeks to fill this gap, elucidating the state of the practice and consolidating the available literature into an extensive bibliography. We hope that the information presented herein will enhance understanding of the concepts underlying public-private partnerships and show by example how these alliances have been used to achieve remarkable and sustainable outcomes in conservation.

Tim Whalen
Director
The Getty Conservation Institute

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PART I

Introduction

Public-private partnerships, abbreviated as PPPs in this review, are contractual arrangements in which the private sector assists in delivering a public facility or service by providing funding or operating leadership. There are three sectors involved in PPPs. They are, first, the public sector, which may include one or all levels of government, and, second, the private sector, which includes business and investor organizations. Of increasing importance and particular relevance to PPPs used for heritage conservation is the third sector. In this document, the third sector is described as nongovernment, social, and community-based institutions, and it may also include people living near a heritage site.¹

Public-private partnerships have gained in popularity over the last twenty years as a means for governments to manage the increasing costs and responsibilities of services or ventures traditionally delivered by the public sector. These partnerships have been commonly employed in the core infrastructure areas of energy, water, transportation, and telecommunications to deliver necessary public services. With their expansion in use, the successes and failures of PPPs are becoming more apparent, and there has been an increase in controversy as a result; nonetheless, PPPs continue to be proposed as a means of filling the gap between the need for public services and the willingness or ability of governments to pay for them.

Governments face significant challenges in their efforts to conserve and manage their cultural heritage assets. Today public resources are deficient in supplying the necessary funding, personnel, skills, and resources required to achieve all their conservation goals. While traditional conservation theory understood government to be the primary guardian of a community's heritage resources, because of pressure to fulfill other public demands, combined with global development trends, community commitment and private engagement are needed in order to help governments retain heritage assets for future generations. The private and third sectors are thus becoming more involved in delivering conservation outcomes that have traditionally been achieved by government.

Given the growing popularity of public-private partnerships and their implementation in a variety of sectors, it is likely that they will increasingly be seen as a means of achieving conservation outcomes. In many parts of the world, PPPs have been used for the conservation and management of a range of heritage places, including archaeological sites, buildings, landscapes, urban areas, collections, and natural areas of heritage significance. Government and third sector organizations working in heritage conservation are also exploring PPPs as a potential mechanism for leveraging funds for heritage.² UN-Habitat's 2006 Istanbul Declaration on Human Settlements identified the need to increase cooperation among government, private sector, and civil society organizations to meet their aims, which include promoting the conservation of cultural heritage.³ However, PPPs are not necessarily the best means of achieving quality conservation outcomes, nor are they necessarily the most efficient way to fund a project. Thus, there is some concern and even some skepticism about their use. Therefore, a better understanding of PPPs and their application to conservation projects is needed. There is also a demand for further research on instruments and approaches that can be used to incentivize private and third sector involvement in the cultural heritage field and to encourage the public sector to work with the private and third sectors. This overview responds to these needs.

This publication is targeted to those working in the cultural heritage sector and has the following aims:

- to make the available literature on the subject more accessible to those interested in cultural heritage conservation
- to provide information on the basic concepts of public-private partnerships
- to discuss how, when, and where public-private partnerships have been used to conserve historic buildings and historic urban areas, as well as discuss the types of PPPs that have been used
- to identify case studies that illustrate the various PPP types, the roles and responsibilities of the partners, and the ways in which PPP mechanisms have met the conservation goals
- to make some limited observations on the aims of PPPs drawn from the literature, from published case studies, and from a few further case study investigations
- to provide a resource for those seeking to advance research on the subject

The review draws on existing literature and does not claim to be a guide on the use of PPPs. It focuses specifically on the use of PPPs for historic buildings and historic urban areas.

This work is organized into chapters that reflect the aims listed above. While it spans work produced from 1992 to 2012, it concentrates on literature produced after 2000, as practitioners and academics began paying more attention to PPPs as viable solutions to urban challenges. Between 2009 and 2012, interest in this topic grew, and publications became available online as a result of workshops and discussions. Much of the literature comes from European nations and Australia, given that these countries, particularly the United Kingdom and Australia, have been the most active, both in conducting PPPs for heritage resources and, importantly, in producing literature regarding the projects. This overview provides some suggestions regarding avenues for further research. It also includes a bibliography, which may be made available in a searchable online format in the future.

Case studies of PPPs for heritage places in government and nongovernment ownership are included throughout the document. The case studies are conservation projects that range from individual buildings in isolated contexts to large urban regeneration projects. They include both architectural and archaeological elements and involve a variety of public, private, and nonprofit partners. Demonstrating the range of issues included in heritage conservation, case studies were chosen to represent the diversity of applications and typologies within PPPs for conservation. Though these projects are diverse in scale and content, conservation of heritage assets has played a central role in all of them.

CHAPTER 1

Limitations of the Research

A considerable amount of literature exists on PPPs in general, but the literature on their use in achieving the conservation of cultural heritage is limited. In general, far less has been published on the economic and financial aspects of heritage conservation than on its physical conservation. Perhaps this disparity may be because cultural heritage practitioners feel out of their depth writing on economics and financing, or because they do not have the resources to gather the necessary data. Additionally, for economists or others well positioned to explain financial mechanisms, the audience is small, and there are few applicable journals and other avenues for publication. Access to written work from the development sector is also limited. And PPPs are products of the governance structure that exists in the project location. For these reasons, the available literature tends to provide less detail on the specific mechanisms used for individual projects. However, such information would be extremely useful to practitioners who want to know more about how to apply PPPs to conservation projects. There is an emerging body of literature on urban regeneration, on the financial mechanisms to achieve this, and on the means of evaluating success. These writings are found primarily in conference proceedings that cover broader subjects or in reports and guidelines.⁴

Although there is a small body of literature available on how PPPs have been applied to natural heritage places, it is not included here. This is because a defining characteristic of historic buildings and urban areas is that their use may be integral to their heritage significance. The need to identify viable uses for buildings and urban areas that are compatible with their heritage significance distinguishes them from PPPs for natural heritage areas, where the process and outcome of identifying function and value are different. Therefore, the economic framework in which urban conservation takes place is also somewhat—although not entirely—different from that of natural conservation. Future literature reviews on PPPs for heritage conservation could expand to include all types of heritage places, including natural heritage places, and assess where there are potential overlaps in application.

This overview identifies case studies that illustrate the use of PPPs and shows how the basic concepts have been applied. However, the case study literature is limited. Of those case studies that clearly state conservation as a primary goal of the PPP, the vast majority are focused on the adaptive reuse of single buildings, while large or neighborhood-scale projects tend to be identified as regeneration projects, in which conservation, rather than being the primary goal, is an instrument to help achieve regeneration. The present work references case studies that were researched by the authors in communication with those directly involved. These are projects for which enough detailed information could be acquired to be useful to readers.

Projects that have been effectively executed and adequately documented are primarily covered in English-language texts from the United States, the United

Kingdom, and Australia. The excellent publications of the Inter-American Development Bank (IADB) provide the most specific references on the topic, and they include a number of case studies from Latin America on the use of PPPs in urban conservation. The work of other development banks, including the Asian Development Bank, provides an overview of the role and experience of development banks in urban regeneration projects that include heritage places. A significant gap in the present work is information about projects conducted in the Netherlands, where PPPs have been in use for some time; however, to date, publications providing this information are primarily written in Dutch. A useful addition to the literature would be further research identifying case studies that exemplify the various types of PPPs in use for conservation and that illustrate the concepts and mechanisms employed.

CHAPTER 2

Context

Conservation Challenges and Needs in the Historic Urban Environment

The pressures facing the historic urban environment are many. Globalization, development, demographic change, and economic pressures are the main factors that directly drive change in the urban environment and impact the preservation of historic urban environments. Increased urbanization due to immigration and population growth leads to rapid expansion of the city, uncontrolled development, and greater density within historic areas, while smaller rural centers in many parts of the world are suffering from emigration, which results in stagnation, obsolescence, and abandonment. These opposing conditions of growth and decline are symptomatic of larger social, economic, and cultural factors that shape the economic and urban development of a region or country. They bring positive and negative change to historic urban areas, and the conservation of these places is determined by how successfully they are managed.

Compounding these pressures is an increase in the obsolescence of monumental, historic publicly-owned buildings, for which governments are obligated to find new contemporary uses. As governments turn to the private sector to assist in the delivery of public goods and services, fewer public facilities and publicly owned buildings are needed to house the offices that regulate and implement public services. In many parts of the world, government has historically been the largest single business enterprise and holds a substantial number of sites, buildings, and structures that service its business. This legacy of public buildings includes a vast number of monumental buildings and whole infrastructure systems that have great cultural significance to society.

FIGURE 1

Brooke Army Medical Center, Fort Sam Houston, San Antonio, Texas.

Photo: US Government.



The reduction of publicly managed services has led to a surfeit of heritage places in need of new and contemporary uses. Take, for example, the large number of culturally significant post offices, defense sites, schools, and hospitals that have been subject to rationalization of government services and sold outright by government, or revitalized by schemes that find new uses or operational models (e.g., Brooke Army Medical Center in San Antonio, Texas, USA; see case study 1). Changes in use and patterns of ownership that often ensured consistency in management across a group of buildings can have an impact on cultural heritage significance, and this is a particular challenge for sites formerly owned by government.

CASE STUDY 1

Brooke Army Medical Center, Fort Sam Houston, San Antonio, Texas, USA

Description	Built in 1936, the Brooke Army Medical Center (BAMC) is composed of the main BAMC buildings (fig. 1) and the Beach Pavilions, constructed in 1929. The center is recognized for its “role in the treatment of casualties and the training of medical personnel during World War II and for its association with the federal construction programs designed to relieve the economic depression of the 1930s.” ¹ The structures were also acknowledged to be excellent examples of Spanish Colonial Revival architecture. In 2001 the BAMC was placed on the National Register of Historic Places. Hospital operation ceased in 1996 with the opening of the new BAMC, and the US Army was obligated under federal rules to find a new use for the original structure. The buildings, comprising more than 4 hectares (450,000 sq. ft.), sat vacant and contaminated for almost ten years while accruing ongoing maintenance costs.		
Project structure including governance	The Army contracted with Weston and Orion to redevelop and find new uses for the buildings. After rehabilitation, three separate fifty-year leases were signed for the buildings, with the Army maintaining long-term environmental liability and limited tenant-approval rights. The developer had a three-year no-cost option to “walk away.”		
Partners	Public	Private	Third sector
	– US Army	– Weston Solutions, developer – Orion Partners, developer	
	<i>Roles & responsibilities</i>	<i>Roles & responsibilities</i>	
	– Owner; limited tenant approval	– Conservation, financing, securing tenants, operation; responsible for contamination removal	
Sources of funding & financing structure	Over the life of the lease, cash distributions to the private partner are expected to be \$2,126,000 preferred equity, \$4,911,000 return of equity, \$3,000,000 risk preference distribution, and \$293,652,000 cash participation. The Army receives 46.3 percent of the net cash flows over the life of the lease. It expects to receive \$253,161,000 cash participation over the life of the lease.		
Project summary	<p><i>Approach, conservation issues, rationale for PPP</i></p> <p><i>The project:</i> BAMC and the Beach Pavilions were rehabilitated and decontaminated in order to provide office space for military and civilian tenants.</p> <p><i>Challenges:</i> The building’s location in the middle of an active military base limited availability for tenants. The buildings were severely contaminated with asbestos, mercury, other materials, and Class II waste, all of which were remediated by the developer.</p> <p><i>Why PPP?</i> In order to minimize vacant buildings, federal rules obligate the Army to find a replacement use or demolish a building before constructing a new structure.</p>		

(Continued)

**Project
summary**

Demolition is costly and unlikely to be approved, so adaptive reuse is favored. The Army lacked the funds to rehabilitate the buildings on its own and so looked to the private sector. Congress had passed a law allowing PPPs on military bases through enhanced use leasing (EUL).

Project outcomes

All three structures have been saved and are rented to capacity with a mix of military and civilian tenants, including US Army South and the US Army Medical Information Technology Center, tenants that reinstate the facility's long-term military use. The Army saves money otherwise spent on vacant space, and the remediation was funded by others; the private sector receives long-term income from tenants.

The BAMC project was one of the first and largest EUL projects and was the first to be applied to historic structures in the US.

Removal of these buildings from the base's overall asset responsibility frees funds that can be directed toward new facilities.²

1. US National Park Service, "Brooke Army Medical Center, Texas, Honored with Listing in National Register of Historic Places," news release, 4 Dec. 2001, <http://home.nps.gov/news/release.htm?id=176> (accessed 18 Feb. 2014).

2. Additional source material includes: Donovan Rypkema, "PPPs and Heritage Buildings: Two US Examples," paper presented at "Taking Public-Private Partnerships Forward: New Opportunities for Infrastructure Development in Transition Economies," United Nations Economic Commission for Europe and Vnesheconombank, Moscow, 21–22 Oct. 2008, www.unecce.org/fileadmin/DAM/ceci/ppt_presentations/2008/ppp/Moscow/rypkema.pdf (accessed 18 Feb. 2014); Weston Solutions, "Enhanced Use Leasing: Turning Underutilized Real Estate into Valuable Assets," www.westonsolutions.com/pdf_docs/B-D059-EUL.pdf (accessed 18 Feb. 2014); Weston Solutions, "Redevelopment of Historic Hospital Facilities—Fort Sam Houston, San Antonio, TX," www.westonsolutions.com/projects/project_ftsamhouston_eul.htm (accessed 18 Feb. 2014).

This issue is not confined to the former publicly owned heritage places—other buildings, structures, and complexes whose uses have been rationalized or are obsolete face the same problems. Industrial heritage sites constitute a particular type of valuable heritage that has faced significant changes in use, either entirely or in levels of use. Such properties require creative approaches to finding sustainable solutions for their ongoing use and care. Churches present another example of a single building type that suffers from declining use, though there are many other typologies facing similar issues. Industrial and other large complexes are an example of a typology facing large, complex issues that usually demand attention as part of wider urban regeneration schemes (see the following section, "Heritage Conservation and Urban Regeneration").

Eduardo Rojas describes in detail the typical cycle of decline and preservation in historic centers and urban centers and makes the case that reversal of urban decay only occurs with considerable public effort over a sustained period of time, including financial investment.⁵ Table 1 illustrates the fact that ongoing conservation and care will only occur with public sector intervention.

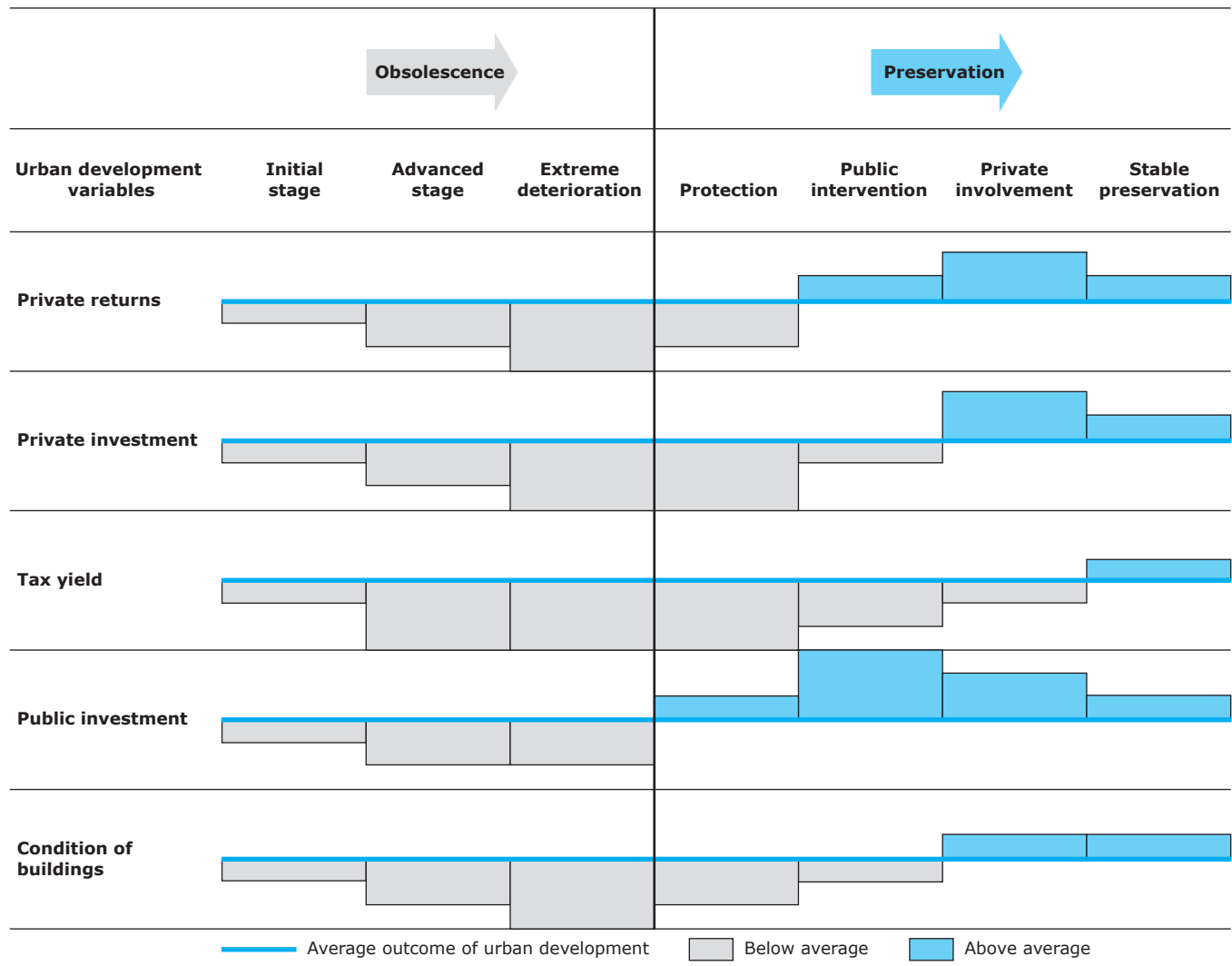
Regardless of which of the conservation challenges is at hand, urban conservation inevitably requires the involvement of more than one sector. Now, in fact, it is largely well recognized that multisectoral coordination is essential for securing sustainable long-term conservation. Urban areas comprise a multitude of elements that are likely to be subject to different ownership arrangements. The significance of an urban area is also likely to include a large number of values, both tangible and intangible. These include the usual values attributed to buildings, such as historic, aesthetic, and scientific significance. The importance of specific uses, traditions,

and other spiritual and social values is often tied to the community that occupies or uses the place. Conservation efforts therefore must identify the various values present and involve local owners and communities who contribute to these values. Multi-actor engagement is vital, and partnerships of some sort or another are inevitable. Many of the authors whose work is referenced herein make the case for integrated planning and financing policies to secure sustainable outcomes for conserving urban areas. Simply put, in urban conservation, reliance on the public sector for complete financing is unviable and unsustainable, while the private sector will be unwilling or unable to take on the risks and costs of urban conservation alone. Incentives or multisectoral partnerships are therefore essential to long-term success. In some cases, these partnerships will be transactional or formalized in the form of a PPP.

Heritage Conservation and Urban Regeneration

In some places, conservation has played an integral role in urban regeneration schemes. In areas that include elements of heritage significance, regeneration

TABLE 1
The process of obsolescence and preservation of historic city centers.



Source: Rojas, *Old Cities, New Assets*, table 2.1. Adapted by permission, courtesy of the Inter-American Development Bank.

schemes will often attempt to capitalize on the character and quality of those elements in order to create a unique identity that can be of great benefit to the project. Heritage elements are often seen by the private sector as the most challenging aspect of a project, as they frequently involve additional legislative restrictions (due to heritage laws or policies), perceived or real additional costs, limitations on the areas of new development, and concern that there are limitations on a change of use. These issues result in what is described in the United Kingdom as a heritage deficit—the gap between the investment required to conserve a heritage asset and its subsequent increase in value.

The private sector has often demanded incentives to take on such challenges, which may be in the form of financial or planning incentives. Yet there are increasing numbers of examples in which there has been little government involvement outside the legislative one and in which the third sector has also played a significant role. PPPs have played an important role in urban regeneration schemes since the 1970s, and these projects therefore constitute the bulk of the documented case studies. In some instances, PPPs are used specifically to deliver the conservation components of a project; in other cases, these components have been delivered through the use of other financial incentives, such as grants or tax incentives. The close relationship between urban regeneration and conservation has long been important to the use and development of PPPs. Rojas highlights the synergies between conservation and urban regeneration, describing how conserving urban heritage secures the success of urban regeneration projects, while at the same time, the economic and social benefits of urban regeneration (such as the reuse of valuable physical and cultural assets and transport efficiencies) support conservation expenditures.⁶

The Shifting Role of Government and the Roles of the Private and Third Sectors in Delivering Conservation Outcomes

The magnitude of change in the world's cities, towns, and urban settlements in recent years is unprecedented, and neither governments nor market systems are individually able to fully provide the necessary public goods or services in any given sector. As previously described, collaboration among public agencies, private organizations, and the community is steadily growing, as the public sector increasingly turns to the other sectors to counterbalance the lack of adequate funding, skills, and resources, as well as the political inefficiencies that often hinder its ability to fulfill municipal responsibilities. PPPs are a means of achieving this valuable mixture of abilities and assets.

The Government Sector

Traditionally, under the purview of the state, urban heritage has been identified by governments, scholars, and citizens as a valuable and identity-defining public benefit central to creating a “sense of place.” Heritage places, “enhance the social capital of local communities by providing a tangible link to the past and reinforcing a sense of community identity. This enhanced sense of identity may, in turn, contribute to social cohesion within the community.”⁷ In Australia an online survey of 2,024 adults conducted by the Allen Consulting Group found that 93 percent saw heritage as forming part of Australia's identity, and the majority of respondents believed that the government was not doing enough to protect their heritage.⁸

Recent studies have sought to evaluate the economic value of cultural heritage to local economies and demonstrate when, where, and why government intervention is necessary. Research has also identified the types of funding provided by

governments to incentivize other sectors to conserve heritage places.⁹ Within these reports, it is explicit that the reduction of government money to carry out conservation is accompanied by the need for comprehensive legislation to protect heritage places, to establish sound policy and standards, and to provide guidance on how to conserve these places—public education and information on heritage that helps people understand its importance, as well as financial incentives to supplement conservation when the market cannot deliver. The role of government is thus to create fertile ground for conservation, to ensure that places are adequately protected and conserved according to clearly defined and agreed-upon standards, and to lead by example in the management of its own sites.

However, many heritage agencies are faced with declining budgets at a time of expanding responsibilities and demands. Thus, the public sector has had to find creative ways to partner with other sectors to deliver conservation needs, as heritage is just one of many goods and services in need of public funding. The recent economic downturn has fueled interest in this area and generated discussion about ways of developing creative financing to achieve conservation goals. In both the developed and the developing world, this dialogue has been led by the development banks. The Council of Europe recognized the emerging role of the private sector in heritage management in the mid-2000s and recommended that models for private management of cultural heritage be examined, and that guidelines be developed for best practice of public-private partnerships.¹⁰

In the case of public goods and services such as water, transportation, and hospitals, government has already established ways to use PPPs to implement, operate, and evaluate these services. PPPs for infrastructure and other public services are now widespread and exhibit varying degrees of success. In contrast, some governments do not readily embrace their obligations to care for their historic resources and are not proactive, waiting instead for community demand to catalyze PPPs for heritage conservation—even though the use of a PPP may ultimately be financially beneficial. This reluctance may be in part due to the dearth of well-established mechanisms and precedents, which are in place for other service delivery needs. Models and guidelines such as those suggested by the Council of Europe might facilitate the use of PPPs by governments to achieve conservation outcomes.

While governments' motivation for engaging in PPPs may initially be financial, there is also an opportunity for them to use these partnerships to harness community commitment, engagement, and empowerment in conserving heritage places. There is a trend in local governance toward achieving better use of local public assets through community management.¹¹ Clearly this motivation has synergies with the call by heritage conservationists for greater public participation in the care and conservation of heritage places. Effective urban conservation requires engagement across the sectors and the sharing of responsibility, risk, and resources. PPPs provide a mechanism for achieving these aims and can assist in securing long-term success. Rojas has demonstrated that multisector involvement has been more successful and has yielded more stable and sustained results than have efforts led and financed solely by the government.¹²

The only literature specifically discussing government roles in PPPs for cultural heritage conservation is that produced by the Inter-American Development Bank.

The Private Sector

The private sector has long played a vital role in cultural heritage conservation. Driven by markets and profit, the private sector generally possesses greater capital,

flexibility, efficiency, and specialized skills than does government. Private sector involvement in delivering conservation outcomes traditionally funded by government can take a number of forms, which are described in chapters 3 and 4 below.

Savvy developers have begun to explore the heritage market, where the risk is potentially shared, and the projects are usually supported by government, sometimes through a PPP. This is particularly so in the area of urban regeneration. Government requirements for “triple bottom line” reporting (which includes economic, social, and environmental benefits) have also spurred the private sector to look at its own corporate social responsibilities; engagement in conservation projects can help fulfill these responsibilities. In some instances, the private sector is joined by the third sector to deliver some aspects of a conservation project.

The private sector’s motivation for engaging in PPPs may be primarily profit, but increasingly it may include the potential to meet socially responsible corporate business goals and targets. A growing number of multinational corporations are involved in conservation efforts in countries where they work or where there are projects that relate to their own industry, such as tourism. This involvement most often takes the form of direct financial support, but it may also be formalized through a PPP. There is very little literature about PPPs written from the private sector perspective or directed at the private sector, particularly with regard to cultural heritage conservation.



FIGURE 2

Old Government House, Parramatta, Australia, the country’s oldest surviving public building. The site is leased at a rent of \$1 per year to the National Trust of Australia, an NGO that manages the house museum on behalf of the state-government owner. It is one of eleven Australian convict sites on the World Heritage List.

Photo: © Jacqui Goddard.

The Third Sector

The third sector, sometimes also known as the voluntary or community sector, has also long been involved in the delivery of conservation outcomes. The third sector may include local residents and consumers, and other nonprofit organizations that represent social interests.¹³ At their simplest, many local museums and historic houses—such as Old Government House in Parramatta, Australia (fig. 2)—are run by local communities or nongovernmental organizations (NGOs) on behalf of their government owners. In the United Kingdom, building preservation trusts (BPTs) have been

in widespread use for decades as vehicles for conserving individual structures, managing publicly accessible heritage assets, improving high streets, and delivering components of regeneration schemes.¹⁴ There are now numerous trusts devoted to conserving specific cultural heritage places in many parts of the world.

The growing awareness of the role of communities in cultural heritage conservation highlights the recognition that government is not solely responsible for securing conservation outcomes. Community roles, therefore, may extend beyond simple consultation regarding what should be protected by legislation, to include playing a role in the economic means of achieving conservation goals and sustaining a heritage place.

Some recent literature that articulates the role of the third sector in heritage conservation may also assist in generating further interest from this sector.¹⁵ Most pertinent are publications by the Inter-American Development Bank.

Part II

Definitions and Characteristics of
Public-Private Partnerships

This section describes PPPs, outlines their characteristics, discusses the most common types and forms, and identifies the geographic areas where they are most often used. The bulk of the literature on this subject—including books, governmental and private sector reports, and academic articles—has been written over the last fifteen years. Literature focusing specifically on PPPs for heritage conservation has emerged primarily in the form of sections within larger PPP or heritage conservation reports or case study articles. A number of intergovernmental organizations, such as the United Nations Economic Commission for Europe (UNECE), the United Nations Educational, Scientific and Cultural Organization (UNESCO), and the Inter-American Development Bank, as well as national governmental institutions, have developed guidance in response to increased interest in PPPs and the need for improved governance in implementing them. Where examples are used to illustrate concepts in this section, they have been chosen from heritage-related projects.

CHAPTER 3

Defining PPPs

UNECE states that there is no universally accepted definition of PPPs.¹⁶ Many countries and organizations have their own definitions. In the United States, the National Council for Public-Private Partnerships (NCP3P) has defined them as:

a contractual agreement between a public agency (federal, state, or local) and a private sector entity. Through this agreement, the skills and assets of each sector (public and private) are shared in delivering a service or facility for the use of the general public. In addition to the sharing of resources, each party shares in the risks and rewards potential in the delivery of the service and/or facility.¹⁷

PPP3s essentially bring together the skills and assets of all partners to deliver a public service or good for public consumption by providing incentives for both public and private sectors. These skills are often complementary, with the private sector usually providing capital or fund-raising skills, technical expertise, and efficient delivery. The third sector will bring local knowledge, concerns, and interests. In exchange, the public sector usually, but not always, provides the asset, the regulatory framework, and financial incentives, such as a one-time subsidy or grant or other significant tax incentives that help attract private investment. Key features ideally include long-term service provisions, a transfer of risk to the private sector or a sharing of that risk, and different types of long-term contracts in which both parties agree to an explicit set of rules and goals.¹⁸

There are a variety of PPP typologies, but they are all fundamentally focused on the sharing of the three core “R” components: resources, responsibilities, and risk. Thus, PPP3s theoretically seek to allocate resources and risk between the public and private sectors and sometimes include the third sector. These partnerships are highly context-specific. As such, they are defined by the degrees of decision rights, costs, and risks held by each partner and designed to meet the needs of the specific partners and the desired outcomes.

Collaborations or Service Contracts

PPP3s do not encompass all collaborations between the public sector and the private or third sector. PPP3s are not alliances, networks, affiliations, or one-way exchanges of services. For example, a contract in which the public sector building owner contracts a private company to conserve a building that the public institution continues to occupy or operate is not a PPP—this is a straightforward public procurement project.

Furthermore, contracting with, or creating, a partner organization or trust with the primary function of fund-raising does not constitute a public-private partnership, nor does direct funding for private sector conservation efforts, such as straightforward grants. Importantly, PPP3s are transactional, containing a contractually defined exchange of skills and services in a mutually beneficial sharing of risks

and responsibilities on the part of all partners. Without such a transaction, any collaboration between the public, the private, or the third sectors remains a basic service contract, network, collaboration, or alliance.

Privatization

PPPs are not the same as privatization. A PPP contract avoids privatization by ensuring that the public sector maintains bottom-line accountability for the asset and by committing the private or third sector to such long-term commitments as operating the asset over an extended period of time, charging fees, and assuming primary management and maintenance responsibilities.

Alternative Financing Mechanisms

Francesca Medda, Simone Caschili, and Marta Modelewska identify three other financial mechanisms that can be applied to urban heritage conservation, including land value capture finance, urban development funds, and impact investment funds.¹⁹ These mechanisms are often used in conjunction with PPPs, or they can serve as mechanisms for public funding of PPPs.

Getting the Balance Right: Successful Partnerships for Successful Outcomes

PPPs can be defined as “weak” if decision rights, costs, and risks are centered on one partner, or “strong” if they are more balanced between all partners.²⁰ As with any partnership, success lies in finding the appropriate balance between the needs and capabilities of the partners, in order to meet the long-term goals of the agreement. Much of the current discussion of PPPs, and of their successes and failures, has focused on the allocation of risk, on whether the balance of skills and responsibilities is right, and on the real benefits to the public sector.

There are various conceptual frameworks in which the motivations of both partners can be understood. Maureen Mackintosh presents three different partnership models that focus on the goals of each partner. First, partners may wish to create “synergy” and capitalize on the capabilities of both parties, such as knowledge or skills, in order to achieve better results together than they would separately. Second, partners may be looking to foster “budget enhancement” and gain access to resources that might otherwise be beyond their independent reach. Third, partners may want to obtain a “transformation,” whereby partners learn from each other and enhance their own skill set to create a mutually beneficial and inventive plan.²¹ Alan Harding puts forth a similar partnership model that is characterized by the type of relationship between partners. “Defensive partnerships” occur when one partner needs the cooperation of the other in order to continue its operations. “Offensive partnerships” take place when a partner wants to accomplish goals beyond its means. “Shotgun partnerships” develop when a partner is given a directive to engage in a partnership from a governmental office, or when the office stipulates the creation of a partnership as a funding criterion.²²

In all PPPs, the public sector is motivated by the need to deliver a public service, while the private sector is most often primarily motivated by the potential for financial profit. More recently, however, private companies have begun emphasizing the triple bottom line, focusing not just on the financial outcome but also on their social and environmental responsibilities as part of their broader obligations to society. In projects involving heritage resources, conservation of the heritage

assets is thus becoming a secondary motivation. Within conservation, a notable exception to the profit-seeking model occurs when the third sector entity, such as the nonprofit charitable building preservation trusts common in the United Kingdom, acts as the private partner with motivations entirely based on conservation.

CHAPTER 4

What PPPs Deliver and Types of PPPs

Deloitte Research identifies the following as five main components of a typical infrastructure project:

- design
- construction
- service operation
- ongoing maintenance
- finance

Finance is a component that is threaded throughout the entire project.²³ PPPs have been used within infrastructure projects to realize individual components or a combination of them. This is also true in heritage projects for which PPPs have been used.

PPP Categories by Delivery Type

PPP contracts cover different forms that deliver the five components identified above. They have been categorized according to the various typical roles (design, construct, operate, maintain, finance) that the partners play. These are shown in the sidebar “PPP Categories by Delivery Type.”²⁴

PPP Categories by Delivery Type

Buy-build-operate (BBO): Transfer of a public asset to a private or quasi-public entity usually under contract that the assets are to be upgraded and operated for a specified period of time. Public control is exercised through the contract at the time of transfer.

Build-own-operate (BOO): The private sector finances, builds, owns, and operates a facility or service in perpetuity. The public constraints are stated in the original agreement and through ongoing regulatory authority.

Build-own-operate-transfer (BOOT): A private entity receives a franchise to finance, design, build, and operate a facility (and to charge user fees) for a specified period, after which ownership is transferred back to the public sector.

Build-operate-transfer (BOT): The private sector designs, finances, and constructs a new facility under a long-term concession contract and operates the facility during the term of the concession, after which ownership is transferred back to the public sector if not already transferred upon completion of the facility. In fact, such a form covers BOOT and BLOT, with the sole difference being the ownership of the facility.

Build-lease-operate-transfer (BLOT): A private entity receives a franchise to finance, design, build, and operate a leased facility (and to charge user fees) for the lease period, against payment of a rent.

Design-build-finance-operate (DBFO): The private sector designs, finances, and constructs a new facility under a long-term lease and operates the facility during the term of the lease. The private partner trans-

(Continued)

fers the new facility to the public sector at the end of the lease term.

Finance only: A private entity, usually a financial services company, funds a project directly or uses various mechanisms such as a long-term lease or bond issue.

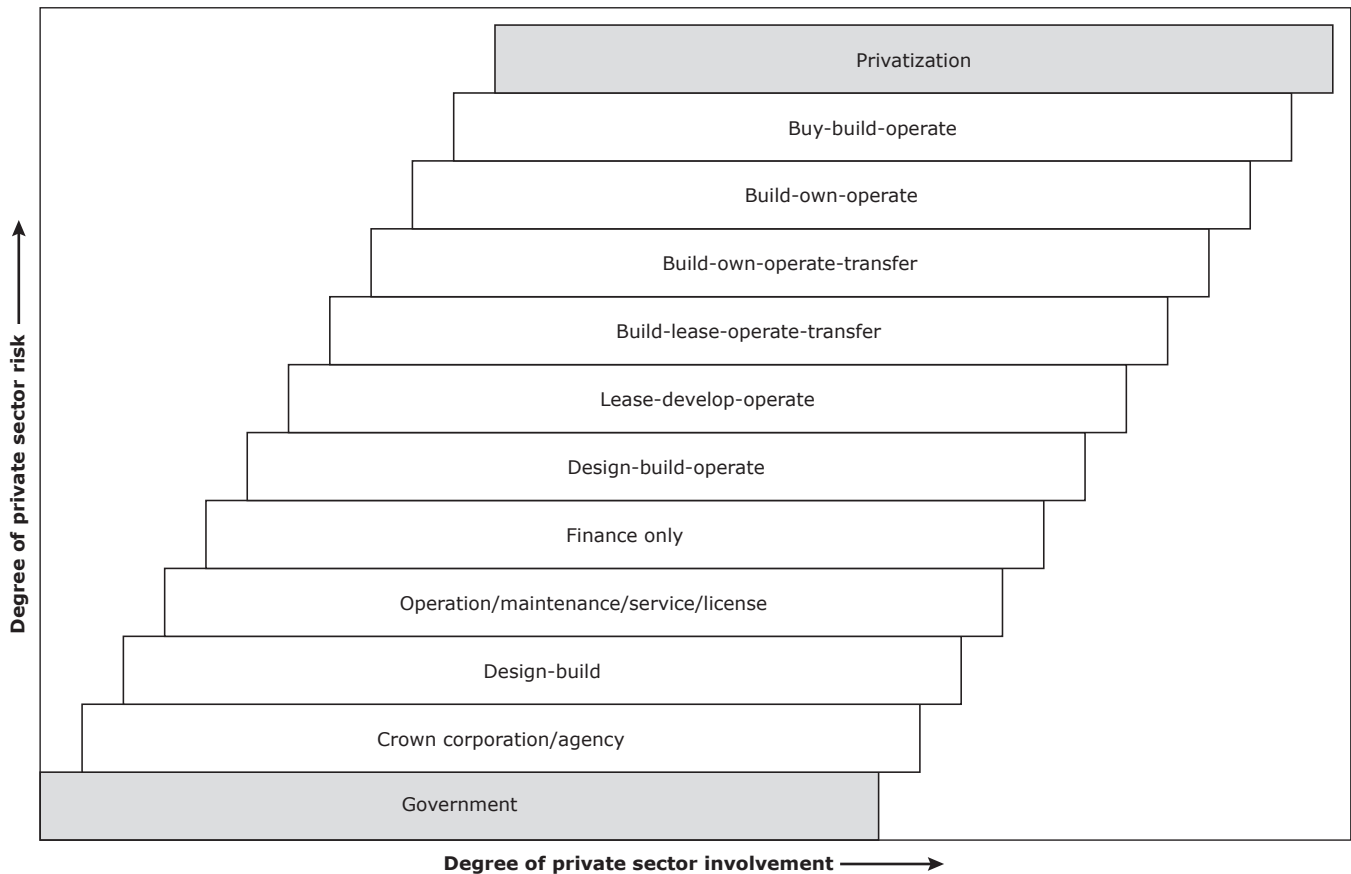
Operation and maintenance contract (O&M): A private operator, under contract, operates a publicly owned asset for a specified term. Ownership of the asset remains with the public entity. (Many do not consider O&Ms to be within the spectrum of PPPs and consider such contracts as service contracts.)

Design-build (DB): The private sector designs and builds infrastructure to meet public sector performance specifications, often on a fixed-price, turnkey basis, so that the risk of cost overruns is transferred to the private sector. (Many do not consider DBs to be within the spectrum of PPPs and consider such contracts as public works contracts.)

Operation license: A private operator receives a license or rights to operate a public service, usually for a specified term. This is often used in IT projects.

The role of the public, private, and third sectors in delivering public goods and services ranges from full delivery by government to privatization. Between these extremes sits the range of PPP categories shown in figure 3. In this diagram, PPPs occupy the zone between and including “design-build-operate” and “buy-build-operate.” For all the PPP categories, the degree of private sector involvement is related to the level of risk that the private sector takes on.

FIGURE 3
PPP categories related to levels of risk.



Source: UNECE, *A Guide to Promoting Good Governance in Public-Private Partnerships*, p. 2. Reproduced by permission, © The Canadian Council for Public-Private Partnerships.

PPP Types by Contractual Agreement

PPPs are characterized by type of partnership or transactional arrangement. There are essentially two models—*institutionalized* and *contractual* PPPs—within which there are subcategories.

Institutionalized PPPs are those in which a third party organization, trust, or company, called a special purpose vehicle (SPV) or special purpose entity (SPE), is created to insulate the founding partners from risk. The SPV is usually the governing body of the partnership and is responsible for the delivery of the service or good. This entity is usually created to design, build, maintain, and operate a building or project for a specified length of time. In countries with especially strong government presence and capabilities, the SPV is created with limited executive powers and serves as a catalytic advisory board, or the “face” of the project. An example of an institutionalized PPP for heritage conservation is the Grainger Towne project in Newcastle upon Tyne, United Kingdom (see case study 2). Here an SPV was set up with a six-year term to oversee the urban regeneration of Newcastle’s historic core.

CASE STUDY 2

Grainger Towne, Newcastle upon Tyne, UK

Description	Grainger Towne, founded in the early nineteenth century by Richard Grainger, John Dobson, and John Clayton, is Newcastle’s approximately 36 hectare (90 acre) historic core. Of the 640 buildings in the area, 40 percent are listed, 20 percent at the highest level. The area began declining to vacancy and deterioration in the early twentieth century. The early 1970s construction of Eldon Square exacerbated the decline by shifting retail north. At the same time, restaurant, leisure, and office use was moving to the nearby Quayside neighborhood and elsewhere. Conservation-based revitalization efforts in the 1960s, ’70s, and ’80s attempted to address these issues. In 1996 the international planning, design, and environmental firm EDAW was commissioned to create the Grainger Town regeneration strategy and to prepare a bid for government funding.		
Project structure including governance	In 1997 the Grainger Town Partnership was established as an SPV to oversee the project. Revitalization efforts shifted from focusing on conservation of individual buildings to focusing on broader economic development. The Partnership lacked extensive executive powers but was tasked with delivering and managing the project’s overall strategy and direction. Newcastle City Council (NCC) remained a powerful local planning authority, and individual partners retained control of most of the financing. Set up as a six-year entity, the Partnership had a board of twenty members, including NCC representatives, public agencies, the private sector, and local residents. The Partnership was disbanded in 2003. Regeneration efforts are now overseen by the City Centre Panel.		
Partners	Public	Private	Third sector
	<ul style="list-style-type: none"> – Newcastle upon Tyne City Council – English Partnerships/One North East (RDA) – English Heritage 	<ul style="list-style-type: none"> – Grainger Town Partnership (SPV) 	

(Continued)

Partners	<i>Roles & responsibilities</i>	<i>Roles & responsibilities</i>
	Planning authority; provided subsidiary funding to private owners; owner of various heritage buildings	Project governance and guidance; contracted with individual developers (planning authority and approvals still went through NCC)
Sources of funding & financing structure	<p><i>Public:</i> Single Regeneration Budget (SRB), £11.006 million; English Partnerships (subsequently One North East), £25 million; English Heritage, £0.7 million; City Council, £2.3 million; Heritage Lottery Fund, and others.</p> <p><i>Private:</i> By March 2003 private sector investment had reached over £160 million from individual developers.</p>	
Project summary	<p><i>Approach, conservation issues, rationale for PPP</i></p> <p><i>The project:</i> Mixed-use development of Newcastle’s historic core through conservation-led regeneration. Key tool was the Living over the Shops (LOTS) project, which encouraged the creation of apartments above commercial space. Former Bins store was reused as a retail center and “The Gate” cinema/leisure development. Grey Street and Grainger Street have been restored as central retail streets.</p> <p><i>Challenges:</i> Some conservationists felt that as the project progressed, conservation became less focused on retaining the historical authenticity of the area and more concerned with selling the image, or investment location, as indicated by various facadism projects and by the degree of alterations permitted on listed buildings. On the other end, private developers felt that conservation restrictions inhibited development.</p> <p><i>Why PPP?</i> The size and breadth of the project necessitated private sector inclusion, though the public sector played a leading role in the area’s regeneration. Government was able to contribute significantly to the area’s revitalization and facilitated private sector development to create sustained economic growth.</p> <hr/> <p><i>Project outcomes</i></p> <p>The area has seen significant revitalization, with 121 buildings brought back into use. Rental and office values have increased and there is an upward trend in employment, which grew by 14 percent between 1996 and 2001. Some 286 new businesses have been created. Much of this development has focused on central arteries Grey Street and Grainger Street.</p> <p>The Project has received numerous awards for good proactive and effective regeneration. It has become a hallmark example of conservation-led regeneration. However, areas such as the Grainger Market, Negate Shopping Center, and Chinatown are still to be addressed.¹</p>	

1. Source material includes: Peter Fisher, “The Property Development Process: Case Studies from ‘Grainger Town,’” *Property Management* 23, no. 3 (2005): 158–75; John Pendlebury, “Conservation and Regeneration: Complementary or Conflicting Processes? The Case of Grainger Town, Newcastle upon Tyne,” *Planning Practice and Research* 17, no. 2 (2002): 145–58; John Pendlebury, “The Conservation of Historic Areas in the UK: A Case Study of ‘Grainger Town,’ Newcastle upon Tyne,” *Cities* 16, no. 6 (Dec. 1999): 423–33; Fred Robinson, *Pride of Place: The Final Assessment of the Grainger Town Project* (Newcastle upon Tyne: Newcastle City Council, 2003), www.dur.ac.uk/StChads/prg/Pride%20of%20place.pdf (accessed 18 Feb. 2014).

Contractual PPPs are agreements made between the public and private sectors for the delivery of a public service or good by the private sector for an extended period of time. They are contractual arrangements in which the private sector is

often responsible for designing, building, and managing the facility or materials needed for delivery. The private partner also manages the majority of the project financing, sometimes with government contributions. An example of this for heritage conservation is the Quarantine Station in Sydney, Australia (see case study 3).

CASE STUDY 3

Quarantine Station, Sydney, Australia

Description

The former North Head Quarantine Station (fig. 4) is located in northeastern Sydney and forms part of the Sydney Harbour National Park fronting Sydney Harbour. The 30 hectare (74 acre) site contains many Aboriginal sites, sixty buildings, a wharf, two cemeteries, over one thousand inscriptions, and a movable heritage collection associated with its former quarantine operations. The landscape is composed of bushland—grassy areas and cliffs overlooking Sydney Harbour. The primary significance of North Head and the Quarantine Station is its historical and social significance, related to its associations with migration and public health. It is also significant for its contemporary associations with the descendants of internees and for its Aboriginal and natural values. Strong meanings are embodied in the landform, the vegetation, the harbor, and the sea. The site has a high degree of authenticity and integrity in the fabric, which demonstrates all phases of its history and the relationship between the built elements and natural landscape and setting.

FIGURE 4

The former Quarantine Station at North Head, Sydney. The facility has been the subject of a significant PPP project and is now known as Q Station, a hotel center that provides interpretation of the large site for the public.

Photo: Regi51, courtesy of Wikimedia, licensed under Creative Commons Attribution 3.0 Unported.



Project structure including governance

In October 2006, the New South Wales National Parks and Wildlife Service (NPWS) leased the Quarantine Station to a private developer, the Mawland Group, for a period of twenty-one years. Governance on this site is complex. There were four state agencies regulating the project (NPWS, NSW Heritage Council, NSW Department of Planning, and NSW Maritime). The head lease contains all of the extensive conditions of approval, an unusually strict measure. Day-to-day management of the lessee is through an NPWS-employed Quarantine Station environment manager. A Community Advisory Committee is required for the life of the approval, and its role is to review and comment on the numerous site-wide plans and results of environmental monitoring. The lease has two further potential extensions, but the Environmental Approval only runs for twenty years.

(Continued)

Partners	Public	Private	Third sector
	<ul style="list-style-type: none"> – NSW National Parks and Wildlife Service (NPWS) – Federal government, other government agencies 	<ul style="list-style-type: none"> – Mawland Group 	
	<i>Roles & responsibilities</i>		<i>Roles & responsibilities</i>
	<ul style="list-style-type: none"> – Landlord; conservation, interpretation, and management of site access – Compliance management of the lessee; reports to other approval agencies and the periodic joint operation of a Community Advisory Committee – Funding contributions 	<ul style="list-style-type: none"> – Lessee; day-to-day conservation, provision of visitor access, interpretation, monitoring of site values, and reporting of site conditions and operations 	
Sources of funding & financing structure	<p><i>Project cost:</i> Aus\$20 million (\$7 million development, \$8 million construction, \$5 million fit-out), largely by the developer. Development funding split 50/50 between debt and Australian equity (the lessee).</p> <p>One-off grants, matched by dollar-for-dollar contributions from the lessee, have assisted with conservation works (\$500,000 for heritage conservation from federal government, \$45,000 for heritage conservation and interpretation from state government, \$70,000 for water conservation infrastructure from federal government).</p>		
Project summary	<p><i>Approach, conservation issues, rationale for PPP</i></p> <hr/> <p><i>The Project:</i> Conservation and adaptive reuse of the North Head Quarantine Station, commencing with approximately \$6 million of catch-up conservation for the sixty-five buildings, inscriptions, wharf, cultural landscape, infrastructure, and movable heritage collection; concurrent adaptation of buildings to establish an eighty-five-room, 3.5-star retreat, two restaurants, conference and function rooms, visitor center, theater, tours, parking, and ground transport.</p> <p>Approval required the development of detailed site-wide plans prior to commencement of work, covering conservation works program, interpretation, visitor management, fit-out, infrastructure, landscape, and movable heritage.</p> <p>One innovation by the lessee was the development of a tool to concurrently monitor the condition of the natural, cultural, social, and economic conditions on site and to introduce adaptive management measures should conditions change from predetermined acceptable ranges.</p> <p><i>Challenges:</i> Significant community opposition on grounds that such an important site should not be leased to the private sector. In response, government required a revised conservation management plan, detailed area conservation management plans, species impact assessment, and a Commission of Inquiry. The leasing and approval process thus took eight years, significantly increasing costs and risks to the government and the lessee.</p>		

(Continued)

Project summary

Final environmental approval was difficult to interpret and left a great deal of uncertainty. For example, the approval's requirement that many site-wide plans had to first be prepared and approved made it impossible for the lessee to know exactly what to budget for. Tying the conditions of approval to the lease further increased the risk for the lessee. All leases are tied to funding agreements, so should the smallest noncompliance with regard to an approval condition occur, the lease is technically defaulted, and the lessee risks defaulting on the debt arrangements and could be rendered bankrupt.

Why PPP? Government recognized that the project required more than it could manage and fund on its own in the short and long term. Not only was the private sector needed to secure the sizable development funding, it could also pay for the site's maintenance through its operating profits—thereby saving significant ongoing costs and allowing reinvestment of the savings in other sites that could only be funded by the public sector. Further, government felt that such a significant asset warranted the creative input of the private sector.

Project outcomes

The project has largely been hailed as a success, with the natural and cultural heritage assets well conserved. There have been no significant environmental impacts. Heritage fabric has been repaired, and cultural significance has been strengthened. Public access has been significantly improved, and interpretation and education have been refreshed with contemporary approaches. There is increased visitation, including by many people who would not have been interested in the more traditional approach typically provided by the public sector.

The project has received numerous awards, including Best Heritage Tourism category from the Australian Tourism Awards, Best Heritage Tourism and Best Australian Heritage Experience from the Gourmet Traveller 2009 Travel Awards, Best MICE Hotel, and Best 4–4.5 Accommodation from the HM Awards in 2009.¹

1. Source material includes: Sydney Harbour National Park—Manly, Q Station, "Q Station: History," www.qstation.com.au/history.php (accessed 18 Feb. 2014); Mawland Construction, *Honouring the Past by Securing the Future: Sustainability Policy for the Conservation and Adaptive Reuse of the Quarantine Station*, 2nd draft (Fairlight: Mawland Construction, 2007), www.qstation.com.au/documents/070619SustPolicy-Draft3.pdf (accessed 18 Feb. 2014).

Concession contracts are a subcategory of contractual PPPs, funded by a "user-pays" system, in which user fees finance the operation and management of the PPP.²⁵ For example, a government might contract with a private company or SPV to operate a facility such as a swimming pool. The private company pays for the operations and receives a profit through the collection of user fees. There is an example of such a contract in Cambodia's Angkor Wat (fig. 5), where private company Sok Kong Import Export Company (Sokimex) pays the Cambodian government \$10 million a year for the rights to operate and manage all tourism admissions and services within the archaeological site and receives the revenue, which equates to over \$50 million a year.²⁶ A problem with this scenario is that the revenue from tourism goes to the private company rather than toward the conservation of the site, a contractual shortcoming of the arrangement.

Another subcategory of the contractual model, *private financing initiatives* (PFIs) are agreements in which the public sector organization contracts with a private sector entity to finance, design, construct, and operate a facility and provide associated services of a specified quality over a sustained period for an agreed fee



FIGURE 5

Angkor Wat, Cambodia. The monument is leased by the government owner to a private company that operates it as a cultural tourism site.

Photo: Susan Macdonald.

by government.²⁷ Pioneered in Australia in the 1980s and widely adopted in the United Kingdom in the mid-1990s, they are popular in the Netherlands, Malaysia, and many other countries. PFIs are commonly implemented in the delivery of social infrastructure projects, such as the construction of hospitals, schools, public lighting, and defense.²⁸

There is some debate about PFIs and whether they do in fact provide the financial efficiencies they promise, and whether the risk is truly shared by the partners or borne by the private sector. There has been considerable press coverage of the disadvantages of PFIs in the United Kingdom over the last few years. These texts challenge the motivation for PFIs and suggest that political and commercial interests may have usurped the typically cited rationale for PFIs—that is, value for money, access to more flexible finance agreements, and other capabilities not available within the public sector. The controversy has also prompted a number of documents and guidelines by intergovernmental organizations on PPPs and the importance of good governance.

CHAPTER 5

Criteria for Successful PPPs

The combining of the sectors' resources and skills in a PPP has proven to be a useful tool for the successful provision of public sector responsibilities if the partnership is designed and managed according to the needs of all partners. Ronald McQuaid outlines the benefits, specifying that PPPs can promote greater access to resources, increase project efficiency, and legitimate policy initiatives and implementation.²⁹ Darrin Grimsey and Mervyn Lewis further propose that by consolidating risk and responsibility in one private partner, who may or may not subcontract with other private entities, the public sector saves time and money.³⁰ In an effort to enhance the effectiveness of PPPs, UNECE established the PPP Alliance in 2001, and the organization has developed specific guidance on improving the framework and mechanisms for PPPs.³¹

Achieving success in balancing responsibilities for delivering the various components can be complex, and while PPPs produce many benefits, they also present challenges. Chief among these is the mistrust that traditionally exists between the public and private sectors—governments tend to believe that the private sector cuts corners and prioritizes bottom-line profits, while the private sector can view governments as inflexible, bogged down by bureaucracy, and occasionally corrupt.

In successful PPPs, partners have undergone a paradigm shift in which the public partner becomes more market sensitive, including being less risk averse, and the private partner accepts more social responsibility, possibly accepting lower-than-usual profit margins. Even after both parties have adjusted their perception of the other, potential obstacles remain. According to McQuaid, these hurdles include a lack of clarity regarding the partnership's purpose and function, unexpected increases in soft costs, and escalating organizational complexity.³² In anticipation of these difficulties, partners in successful PPPs have entered into their agreements with a commitment to transparency and oversight by having an agreed-upon set of rules that clearly define levels of governance, financing, risk, responsibilities, and outcomes for each party. Successful PPPs are likely to exemplify the following characteristics, which are also true of any successful partnership:

- an effective method of identifying each partner's changing needs
- a culture of trust and cooperation between partners
- transparency regarding the function of the partnership and each partner's roles within it
- sufficient leadership
- the capacity of each partner to fulfill its responsibilities
- ample access to essential information by all partners
- access to financial and other resources
- compatibility within the established political and legal framework
- promise for wider application³³

CHAPTER 6

Where PPPs Are Used

Achieving successful outcomes requires an environment that supports public-private partnerships with regard to both policy and the marketplace. Without adequate private sector market support and governmental institutional capacity, PPPs are likely to be ineffective. The creation of such a climate results from progressive stages of growth that address and adjust to the complexities involved in governing PPPs.

The UNECE outlines three general phases that countries or cities usually go through before PPPs function at their fullest capacity, as summarized in table 2. In stage one, countries begin creating the necessary policy framework and explore the marketplace viability for supporting PPPs. In stage two, governments introduce and implement this framework and foster the marketplace environment, including creating specific units that specialize in governing these partnerships and educating others regarding their successes and failures in order to refine their models. In countries that have reached stage three, the legal and marketplace climates fully support PPPs, and both public and private sectors are engaged in their proliferation.

The literature suggests that the process of developing the appropriate policy and market climate is to be undergone gradually and purposefully, in order to maximize the benefits that can be gained from these partnerships. PPPs demand a high level of governance and, depending on the complexity of the partnership, a similarly deep knowledge of capital markets that takes time and experience to develop.

TABLE 2
PPP capacity stages.

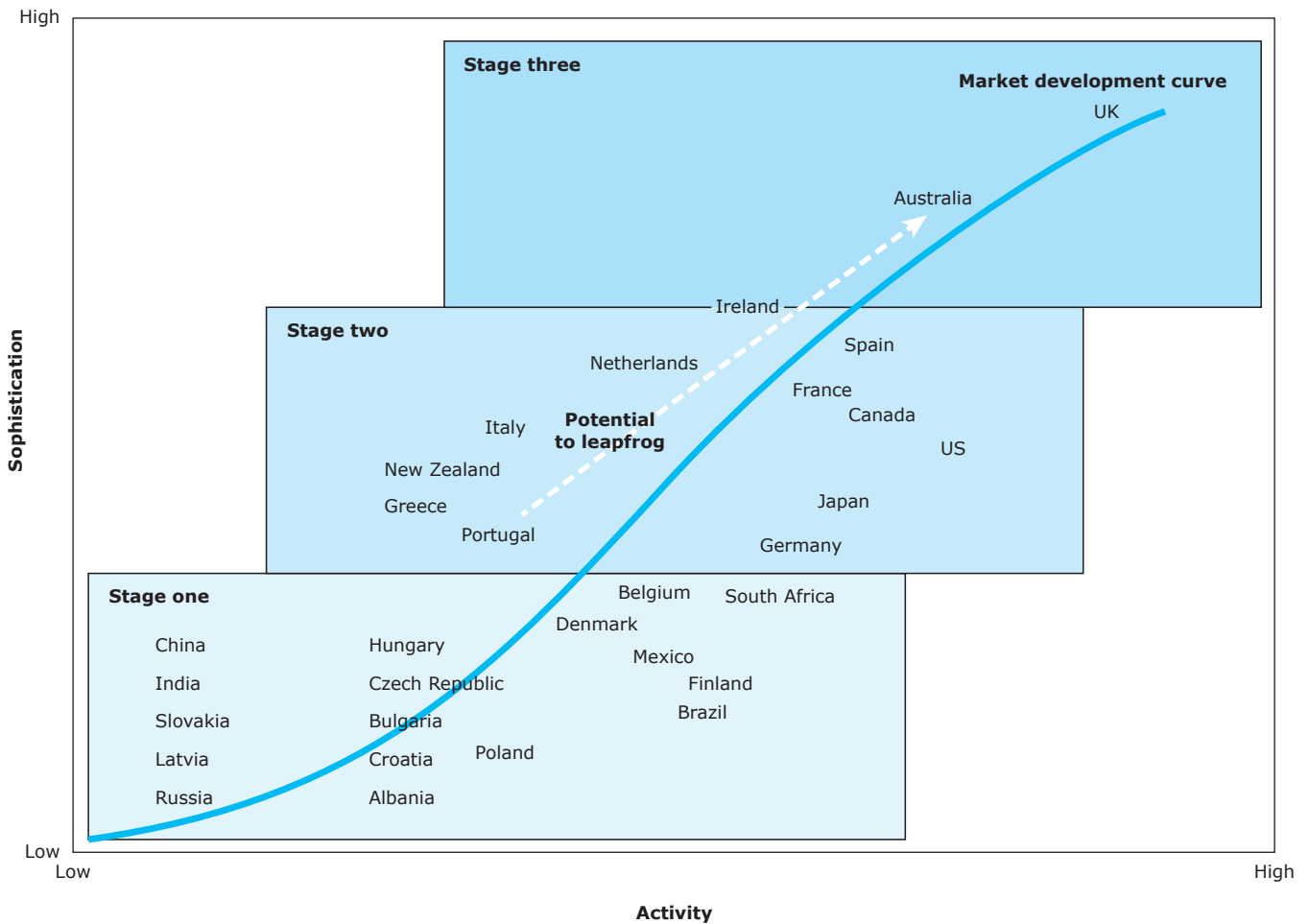
Stage 1	Stage 2	Stage 3
Define policy framework	Introduce legislative reform	Fully defined, comprehensive "system" established
Test legal viability	Publish policy and practice guidelines	Legal impediments removed
Identify project pipeline	Establish dedicated PPP units	PPP models refined and reproduced
Develop foundation concepts (public sector comparators, etc.)	Refine PPP delivery models	Sophisticated risk allocation
Apply lessons from earliest deals to other sectors	Continue to foster marketplace	Committed deal flow
Start to build marketplace	Expand project pipeline and extend to new sectors	Long-term political consensus
	Leverage new sources of funds	Use of full range of funding sources
		Thriving infrastructure investment market involving pension funds and private equity funds
		Well-trained civil service utilizes PPP experiences

Source: UNECE, *Guidebook on Promoting Good Governance in Public-Private Partnerships*, table 1.

Depending on their stage of development, governments profit from engaging in partnerships whose goals do not overreach the public partner’s capabilities. Governments with short PPP histories often make the common mistakes of rushing into PPPs without the proper policy and marketplace environment in place, or they attempt to apply a one-size-fits-all approach toward partnerships across different infrastructure sectors and projects. PPP pioneers such as the Netherlands, the United Kingdom, and Australia have created valuable models from which countries in the earlier stages of PPP maturity can learn a great deal.³⁴ Progressing through the stages is a gradual process, and, as indicated in figure 6, the more engaged a country becomes in creating and managing PPP projects, the more sophisticated—and more effective—the partnerships become.

Countries in stages one or two whose governments lack the necessary capacity for such involvement benefit from either avoiding such partnerships or turning to third-party NGOs to assist in the role of administrator. However, a government’s ability to enter into a PPP may be hindered if it lacks the necessary policy and market climate required to attract private investment. The private sector is likely to

FIGURE 6
PPP market maturity curve.



Source: Eggers and Startup, *Closing the Infrastructure Gap: The Role of Public-Private Partnerships*, fig. 2. Reproduced by permission, courtesy of Deloitte Touche Tohmatsu.

perceive that the lack of an adequate framework increases the level of risk and reduces the likelihood for profit. Therefore, a government that is understood to be ill equipped and lacking the necessary infrastructure, capacity, and experience to support a partnership will face difficulty in finding suitable partners and may have trouble achieving its aims.

Once it is determined that both the policy and the marketplace climates can support a PPP and that it is the most efficient way to achieve the desired results, the public sector, as the partner holding or responsible for the asset, usually initiates the PPP. Sometimes government will gauge the private sector's interest by issuing an expression of interest. In requesting private sector proposals, the public agency managing the project will usually state the value of the asset or service and estimate the revenues the private sector partner can expect from its delivery. The parties discuss the risks and responsibilities each is willing to undertake, as well as the expected rewards. Once these issues are addressed, the public and private entities sign a partnership contract, and work may officially begin.

Part III

The Role of Public-Private
Partnerships in Conserving
Heritage Buildings, Sites, and
Historic Urban Environments

PPPs are now widely used for providing a variety of public services, most commonly within the infrastructure sector. PPPs have also been successfully used in urban regeneration and housing projects and, to an increasing degree, they are used in the heritage conservation sector. PPPs for heritage are generally much smaller than the large infrastructure projects for which traditional PPPs are used. They are also different from the traditional PPPs described above, in that engagement with other sectors brings important benefits beyond funding for heritage. Such partnerships have been created to sustain formerly public buildings, and they constitute the bulk of the documented case studies. PPPs have delivered conservation outcomes in historic urban areas in a variety of ways for some time. However, there is only limited literature that either describes the use of PPPs for conservation or explicitly details a project's partnership arrangement in relation to the general principles described above.

PPPs are context specific, and what is successful in one area may be disastrous in another. What is needed for individual buildings or sites will be different from what is needed for an urban area or a large, complex site. Those engaging in PPPs for conservation inevitably look for similar projects to serve as models and to learn from. This publication addresses the current dearth of information on how PPPs have been used for conservation.

As noted above, PPPs can attract private sector funds, create avenues for private sector profit, and ease demands on overstretched governments. Yet other financing and management tools—grants, bonds, regulatory incentives, privatization—are available in many countries and may be preferable to PPPs. However, it is often seen that a PPP can provide the best conservation outcome and meet the needs of the various parties—in particular by engaging the crucial participation of private and third sector financing. The development banks, which have been working in this area for some time, emphasize the importance of formalizing these roles through PPPs to secure success.

The third sector is playing an increasingly important role in the achievement of conservation outcomes. Though nonprofit involvement in itself is not new, the emerging phenomenon of the private and third sectors working together with minimal governmental intervention is, in fact, new. Such partnerships may be due to the reduction in direct government subsidies for the conservation of privately owned heritage places. The increased emphasis on engaging local communities in a wide range of activities related to the conservation process has also created opportunities for the third sector to provide a formal mechanism for such engagement.

As identity-building public assets, heritage buildings, sites, and areas play a vital role in the community's social, cultural, and economic health. For city planners and developers, PPPs have the potential to revitalize neighborhoods and produce revenue through long-term leases and other income-generating activities. For conservationists, PPPs can attract funding and focus attention on the value of conserving a community's past. When the third sector is involved, PPPs may also provide a mechanism for engaging local communities in the care and conservation of their heritage places.

CHAPTER 7

PPPs for Cultural Heritage Conservation— Characteristics and Criteria

Although in many respects, PPPs for conservation may be much simpler than those for large, complex infrastructure projects that deliver a particular service or function—such as a roadway or hospital—they face additional challenges. While defined valuation methodologies have been developed for infrastructure PPPs, similar formulas for heritage have not been widely agreed upon by economists. Specifically, there is no accepted means of translating heritage’s nonmonetary values into an economic equivalent, although in some places efforts are being made to develop and utilize methodologies for achieving this.³⁵ Because of the lack of established protocols, misunderstandings between partners whose motivations are inherently different are more likely than with traditional PPPs, and this problem can impact conservation outcomes. PPP projects with heritage components are often focused on finding viable and sustainable new uses. A conservation project will generally start with the aim of sustaining the building’s cultural significance. In many cases, the conservation goal may be compromised by the need to meet the wider goals of the PPP. The public sector wants to provide the larger community with access to the cultural significance or identity-building role of the assets, with the subsequent promise that such access will catalyze wider social, cultural, and economic development. Private sector parties view the historic site or building as a real estate asset that can generate revenue from new or enhanced uses.

Despite their divergent motivations, and regardless of the scale of the project, the partners benefit from having a clear understanding of the significance of the place and the conservation outcomes, after which they can move toward their goals in a climate of cooperation. PPPs for heritage conservation thus usually require higher-than-average levels of government oversight, knowledge of the real estate market, and specialized skills because of their values-based nature, to ensure that the conservation outcomes remain a shared objective. One danger is that without oversight and knowledge, unchecked private sector interest in profit could damage an asset’s cultural heritage significance. Therefore, clarity with regard to significance and outcomes is essential. This includes understanding potential appropriate uses, ways to approach physical changes, the asset’s relationship to and roles within sectors of the community, and other elements central to defining the asset’s value.

Donovan Rypkema notes that, in contrast to other infrastructure projects that attempt to supply a demand, PPPs for conservation “do not start with the building and try to answer the question, “How do I fill that space?” Rather, the equation, which begins with the market, is turned around, and the questions become “What is the unmet or undermet demand in this market?” followed by “Could this building be developed to meet that demand?”³⁶ In responding to a market need, PPPs involving heritage assets are thus more closely aligned with market-based development projects than with rehabilitation projects, in which total conservation of the asset is

the first and uncompromising goal. The response to these questions is often multifaceted and can lead to a mix of uses within the building or buildings.

Some countries, the United Kingdom in particular, have effectively met conservation needs for historic urban areas via wide-ranging urban regeneration PPPs (see case study 4). While regeneration projects concentrate on entire neighborhoods or city blocks, other PPPs for conservation have typically focused on single buildings for public benefit. Rypkema classifies these as “white elephant” buildings—“those difficult to reuse properties for which the private sector, by itself, rarely takes the lead. In fully developed economies, the white elephant building is the most common situation utilizing a PPP for conservation.”³⁷

Still, many of these building-specific projects occur in areas that are blighted or in need of revitalization (see case study 5). Typically these buildings are viewed as potential catalysts for urban revitalization of the surrounding area with conservation as a component. However, Rojas argues that while this approach may be useful for building community support in the early stages of a project that deals with a single monumental building, it does not secure long-term sustainability of the wider urban area. This goal requires a more comprehensive approach to planning and financial policy in order to be successful.³⁸ In historic urban areas, therefore, current practice locates conservation efforts within wider regeneration efforts to demonstrate the benefits and attract funding. It is important to understand the scale of the conservation issue, because it will affect the scale and type of PPP.

CASE STUDY 4

Nottingham Lace Market, Nottingham, UK

Description

The Lace Market is located just east of Nottingham’s city center. A prime example of nineteenth-century British industrial architecture, it was rapidly developed in the 1850s and ’60s as a center for international trade in lace production. By the 1950s, most buildings had fallen into disuse or multi-occupancy, while others had been demolished for parking or city center relief roads. In 1969 the neighborhood was designated a Conservation Area by the national government in response to local civic initiative, and it received its first Conservation Policy in 1973. It was upgraded a year later to a Conservation Area of Outstanding National Importance and declared an Industrial Improvement Area in 1979, which made it eligible for building improvement grants and initiated a slow process toward regeneration. Authorities sought to overcome blight by providing grants to restore and repair buildings, with the hope that new tenants would be textile firms. However, rising demand for rental spaces increased the presence of small businesses, lawyers, accountants, architects, etc., and government had to adjust to market demands.

Project structure including governance

Lace Market Development Company (LMDC) was created in 1989 as an SPV to enable a PPP between the city and county councils and private investors to conserve and finance the project. The LMDC served as governing body and was intended to have a five-year life. It was a joint-venture company with 50 percent local authority ownership and four developers with equal shares. A special dispensation was required from central government to obtain 50 percent local authority ownership. The LMDC was

(Continued)

Project structure including governance	intended to be an “explicitly property-led regeneration agency,” but private developers spotted opportunities and bought land and buildings. ¹ In 1991 the Lace Market Heritage Trust was created by various Lace Market organizations committed to seeing the area used to the fullest. They worked side by side with the LMDC, which could not apply for grants.		
Partners	Public	Private	Third sector
	<ul style="list-style-type: none"> – Nottingham City Council (NCC) – Various other municipal and federal agencies (see “Sources of Funding” below) 	<ul style="list-style-type: none"> – Lace Market Development Company (LMDC)—SPV created by NCC and five private sector developers 	<ul style="list-style-type: none"> – Lace Market Heritage Trust
	<i>Roles & responsibilities</i>	<i>Roles & responsibilities</i>	<i>Roles & responsibilities</i>
	<ul style="list-style-type: none"> – Project governance; provided subsidiary funding to private owners; owner of various heritage buildings 	<ul style="list-style-type: none"> – Project governance; primary development company that worked and contracted with other private partners 	<ul style="list-style-type: none"> – Raised funds by securing grants that LMDC could not apply for
Sources of funding & financing structure	Public funding came from the European Regional Development Fund, English Partnerships, Urban Development Grants, City Council, County Council, LMDC, National Lottery, and Heritage Lottery Fund. Funding was directed to both individual buildings and public infrastructure.		
Project summary	<p><i>Approach, conservation issues, rationale for PPP</i></p> <p><i>The Project:</i> A mixed-use development where residential use was encouraged and the largest lace factory, the Adams Building, was converted into a further education college. Shire Hall was adapted as the Galleries of Justice Museum. Hockley Village, adjoining the Lace Market area, is now a shopping center and entertainment district. Pedestrian links were created between the Lace Market and Nottingham Castle and an underground cave system.</p> <p><i>Challenges:</i> Conserving traditional textile and clothing use, which was integral to the area’s social significance, was important. The 1989 LMDC strategy document stipulated the goal of retaining about 4,600 m² (50,000 sq. ft.) of textile accommodation. However, rising demand for small office and retail space, combined with changing zoning legislation, overrode that objective. Nonetheless, there is still a significant presence of textile and clothing production in the area.</p> <p>Land ownership. The project encompassed many buildings, many of which were owned by private owners. NCC provided financial assistance to these individuals and tenants to carry out conservation projects. NCC also directed funds toward upgrading surrounding infrastructure, such as streets and lighting, and toward cleaning and repairing exteriors.</p>		

(Continued)

Project summary

Why PPP? The size, breadth, and mixed ownership of the project necessitated private sector involvement. Government was able to contribute significantly to the area's revitalization and facilitate private sector development to create sustained economic growth.

Project outcomes

The area is now a thriving, mixed-use center for retail, housing, and culture, with cinemas and media centers as cornerstone developments.

The project attracted federal funds and European Commission funds and utilized a number of different PPPs developed from the late 1980s to today.

NCC had to be flexible, responsive to change, and pragmatic, to balance identity and authenticity issues with market forces and demands. City commitment and buy-in were essential, though original efforts were civic based.²

1. Steven Tiesdell, "Tensions between Revitalization and Conservation: Nottingham's Lace Market," *Cities* 12, no. 4 (Aug. 1995), 237.

2. Additional sources include: Drivers Jonas, English Heritage, Royal Institution of Chartered Surveyors, and British Property Federation, *Heritage Works: The Use of Historic Buildings in Regeneration. A Toolkit of Good Practice* (London: English Heritage, 2006), www.bpf.org.uk/en/files/bpf_documents/regeneration/heritageworks.pdf (accessed 18 Feb. 2014); Anthony J. Morris, "Planning and Change in an Industrial District: The Case of Nottingham's Lace Market," *Planning Practice and Research* 6, no. 1 (1991): 9–12.

CASE STUDY 5**General Post Office, Washington, DC, USA****Description**

The General Post Office (1839–42) is a large neoclassical building designed by Robert Mills; an addition by Thomas U. Walter was completed in 1866. Located in the Chinatown/Penn Quarter district of Washington, DC, the building takes up most of the block (fig. 7).

The General Post Office (GPO) was headquarters to a variety of federal agencies, including the International Trade Commission from 1921 until 1989, when it was turned over to the Smithsonian Institution for conservation and use as a museum.¹ Lack of funds meant the building stood vacant for ten years, accruing ongoing maintenance costs, until the General Services Administration (GSA) contracted with Kimpton Hotels to renovate and lease the building. The partnership began in 1999 and was completed in 2002.

FIGURE 7

General Post Office,
Washington, DC.

Photo: © Donovan
Rypkema, Heritage
Strategies International.



(Continued)

Partners	Public	Private	Third sector
	<ul style="list-style-type: none"> – General Services Administration (GSA) – District of Columbia Historic Preservation Office (Office of Planning) (DC SHPO) – National Park Service (NPS) 	<ul style="list-style-type: none"> – Operator/leaseholder: Kimpton Hotels & Restaurant Group 	
	<i>Roles & responsibilities</i>	<i>Roles & responsibilities</i>	
	<ul style="list-style-type: none"> – GSA: Project governance, owner of building – DC SHPO and NPS: Reviewed tax credit application, section 106 compliance 	<ul style="list-style-type: none"> – Conserve according to the Secretary of the Interior’s Standards for Rehabilitation and, after project completion, follow the Secretary’s Standards for maintenance; subcontracted with other private firms – Building leaseholder 	
Sources of funding & financing structure	<p>GSA: \$5 million for exterior renovation, which was recouped through a profit-sharing arrangement in the lease. GSA receives a percentage of hotel revenues, expected to be \$50 million over the life of the lease.</p> <p>Kimpton: Sixty-year lease. For hotel renovation, \$40 million. Received \$8 million in tax credits. Federal law requires long-term leases to be longer than thirty-nine years for tax credit eligibility.</p>		
Project summary	<p><i>Approach, conservation issues, rationale for PPP</i></p> <p><i>The Project:</i> Main post office area converted to hotel lobby, the mail-sorting pavilion became a restaurant, and offices were converted to 183 hotel rooms.</p> <p><i>Challenges:</i> Various challenges arose on the adaptive reuse of the building, which needed to balance historic preservation with its new use as a hotel, such as the insertion of services. Negotiating the lease process was also arduous, taking two years.</p> <p><i>Why PPP?</i> The building’s massive size and inflexible architectural plan was unattractive to other government agencies. It was also far away from other federal offices, so the building sat vacant for many years; yet the GSA could not privatize. The surrounding Penn Quarter area had recently undergone a massive revitalization effort, which created new economic opportunities.</p> <p><i>Project outcomes</i></p> <p>The General Post Office Hotel Monaco project is considered a landmark PPP and adaptive reuse project in the United States. It has received many awards, including the city’s 2003 Excellence in Historic Preservation Award, for retaining much of the building’s historic character while giving it new use that allowed public access to its interior.²</p>		

1. Douglas E. Evelyn and Paul Dickson, *On This Spot: Pinpointing the Past in Washington, D.C.*, 3rd ed. (Herndon, VA: Capital Books, 2008), 132.

2. Additional sources include: International Environmental Corporation, “Hotel Monaco, Washington, D.C.,” www.iec-okc.com/portals/0/documents/Case_Study_Hotel_Monaco.pdf (accessed 18 Feb. 2014); Donovan Rypkema and Caroline Cheong, *Public Private Partnerships and Heritage: A Practitioner’s Guide* (Washington, DC: Heritage Strategies International, 2012), 21; Audrey T. Tepper, “Faded Landmark to First Class Hotel: Hotel Monaco a Preservation Success Story,” *Cultural Resource Management* 25, no. 5 (2002): 12–17.

Another challenge is the widespread misconception, particularly among heritage conservationists, that PPPs are a form of privatization and that engaging in such a partnership will reduce public access to the asset as well as reduce the emphasis on conservation needs. Because of the perception that maintaining government-owned historic assets is a government's responsibility, many conservation advocates in the public, private and third sectors, including NGOs, strongly oppose privatization. This confusion has led to resistance to PPPs as a conservation solution. There is also a fear that involving the private sector leads to sacrificing conservation principles for short-term profits.³⁹ In some PPPs, especially those including long-term leases that may restrict public access, these fears are compounded when the length of the lease and the contract terms may equate the agreement with privatization.

A typical example is the shift from government management of historic building stock to long-term leases. In Sydney's historic Millers Point, some twenty terrace houses within this important urban conservation area have recently been made available for long-term (ninety-nine-year) leases to private individuals (fig. 8). These houses, which had previously accommodated low-income residents, had been managed as an entity by a government housing department. The new, unifying management system secured a consistent approach to their care, reduced pressure for development of the interiors and exteriors, and sustained many of the values that contributed to the conservation area's significance.

The long-term leases essentially shift responsibility for the care and conservation of the individual buildings to new, private occupants, who are bound by strict guidelines for any adaptation or development of the properties. The area will inevitably be gentrified, and some of the original building fabric will be lost. The unity achieved through single ownership and management may also impact the streetscape.

These types of long-term leasehold arrangements, while potentially securing improved maintenance for the buildings, sustaining the original use of the buildings

FIGURE 8

Millers Point, Sydney. The former public terrace housing is now rented, with long-term leases, to private individuals and organizations.

Photo: © Sheridan Burke.



as houses, and preventing outright privatization is viewed with skepticism by many. Success will be dependent on the government authorities' rigor and consistency in negotiating with lessees the inevitable changes that will be sought over time as well as negotiating the structure for managing the buildings as a collective entity.

This project demonstrates that what may be appropriate for one building type may be unacceptable for another. If possible, for example, a house should be retained as a house, if that use is part of its significance. For formerly public buildings, where a long-term lease restricts or excludes public access or enjoyment, a PPP may not be appropriate, and it may be perceived as privatization.

A second example from Australia is the Quarantine Station in Sydney (see case study 3). This project aroused great concern, resulting in a public inquiry that examined the impact of the proposed development and questioned whether the use of a PPP would compromise the site's heritage values. Community concern over a private company developing the site as a hotel is indicative of public perceptions about PPPs and prominent heritage sites. The Quarantine Station is located within a national park, and it was operated by the New South Wales National Parks and Wildlife Service (NPWS) as a publicly accessible natural and cultural heritage site. The chief objections to the PPP were that the government is obligated to conserve the site and maintain public access to all aspects of its cultural heritage and that by allowing a private organization to conserve and operate the site for tourism, its conservation might be compromised and public access restricted.⁴⁰

The owner of the site, NPWS, has dual responsibilities: as a regulator, it is responsible for overseeing the legislation that protects the site, and as an owner, it must conserve the site according to the standards set in that legislation, a situation many government agencies responsible for heritage assets experience. Decreases in funding require such agencies to generate income for conservation works. Formalized PPPs provide a framework that might improve the balance between these seemingly conflicting roles. Transparency in processes and the formalization of third-sector involvement are means to address community concerns. In many cases, the creation of an SPV serves to separate regulatory agencies from the dual roles.

Despite these challenges, PPPs still provide valuable opportunities for heritage conservation. Rypkema notes that successful conservation PPPs for individual buildings usually have the following characteristics:

- The heritage building is identified as a community asset regardless of who actually holds title to the property.
- There is a core group that initiates action, usually from the government or NGO sector or a group of concerned individuals from the community.
- There is an imaginative catalyst to move the redevelopment idea forward. This may come from the business community, the local government, an NGO, or elsewhere.
- There is broad-based support for the project within the local community that spans sector and political interests horizontally.
- There is always public sector participation, including from levels of government that are not directly involved as the formal public partner.
- There are multiple sources of financing from traditional private sector, non-traditional, and/or public institutions.
- There is a commitment by all parties to be as flexible as possible in use, financing, timing, and particulars of the transaction until a mutually

acceptable and feasible alternative scenario is developed. This requires compromise and patience from all partners. Even the most successful PPPs for conservation tend to draw significant public skepticism during the process.⁴¹

Fox, Brakarz, and Alejandro Cruz identify a number of success factors specifically for projects where the three sectors are involved in large urban conservation projects:

- The public sector acts as catalyst—there is strong vision by government for revitalization, an investment of public resources, and facilitation of dialogue with local communities.
- There is sustained political will.
- There is sustained government financial support, with up-front estimation of investment needs, quantification of potential returns, and secured financial investment.
- There is good communication between the three sectors and local communities.
- Efforts are focused within a defined geographic area.
- Passive measures (such as laws and regulations) must be backed by action plans and concrete investments.
- Social rehabilitation needs are addressed.
- Housing needs are addressed through financial mechanisms.
- The private sector is incentivized.
- Banner projects are initiated that generate support, show short-term results and commitment, and trigger investment.
- Multilateral agencies are involved that can provide technical support and continuity outside local political cycles.⁴²

CHAPTER 8

Partner Roles and Responsibilities in PPPs for Conservation

Literature on the specific roles and responsibilities of the three sectors in delivering conservation outcomes is limited, with the exception of publications by Donovan Rypkema, discussed previously, the World Bank, the Inter-American Development Bank, and the Asian Development Bank. In his book *Old Cities, New Assets*, Rojas covers in some detail the roles of the public and private sectors generally, and then discusses them specifically in three case studies from different cities—Cartagena, Colombia; Recife, Brazil; and Quito, Ecuador. In *Tripartite Partnerships*, Fox, Brakarz, and Alejandro Cruz discuss the roles and responsibilities of the three sectors, including the composition and structure of tripartite partnerships. These two publications provide the most specific information on partnerships for historic urban areas. Though they focus on Latin America, they provide much useful and widely applicable information.

The Public Sector

In urban conservation efforts, public sector engagement and support are critical and are often catalysts for private sector involvement. Depending on the country's experience with PPPs, a public partner can be the local, state, or national government, or a combination of these. The public partner in a PPP for conservation of a single building is likely to be the owner of the building or the entity legally responsible for overseeing its care.

As with infrastructure PPPs, the government can provide financial and regulatory incentives to attract private partners via grants and tax credits or deductions, or make up-front financial contributions toward conservation. In urban area conservation, as previously mentioned, the public sector may encourage private sector investment by committing to infrastructure and community upgrading of the surrounding neighborhood. Rypkema notes that public sector contributions can also include the following support:

- long-term protection of the heritage asset through granting of historic status or creation of an economic improvement area
- in countries where government owns many of the heritage buildings, provision of the building itself
- public occupancy of all or part of the building after rehabilitation⁴³

As previously discussed, the key difference between a straightforward grant and a PPP is the presence of a contractual relationship. However, grants that are used to fill the gap between the cost of conserving a place and the end value are increasingly conditioned and monitored to meet the grant giver's objectives. These objectives are tied to the grant giver's funding programs. For heritage agencies these conditions may be about achieving specific conservation standards. Economic

regeneration grants will have specific economic targets, community engagement grants another. Grant-giving bodies are therefore increasingly seen as partners rather than as funders.

In table 3, Rojas outlines the typical roles of the public and private sectors in urban conservation.

For conservation generally, and for PPPs specifically, to be effective, governments need to provide sound and transparent regulatory planning and heritage frameworks, conservation of the important public monuments and spaces, and the necessary infrastructure. They must also have the institutional capacity to manage the interface among public, private, and third sector organizations, including mechanisms for stakeholder engagement, and they should address issues such as low-income housing as well as financial and other incentives to catalyze private action. Government cannot achieve urban conservation outcomes alone, and in the developing world, multilateral development banks have typically supported some of these government actions through grants, loans, or technical support. These organizations have their own criteria for financing the activities.⁴⁴

Apart from the financial motivation for governments' interest in PPPs for conservation, it is now well recognized that public engagement leads to more successful and sustainable outcomes. Sustainable conservation generally requires a holistic approach that engages all three sectors.⁴⁵

TABLE 3
Theoretical public-private relationships in historic city center preservation.

		Type of intervention							
		Free market		Incentives		Association		Public intervention	
Preservation activities		Public	Private	Public	Private	Public	Private	Public	Private
Traditional private functions	Building management								
	Marketing								
	Building rehabilitation								
	Financing								
	Land consolidation								
	Economic development promotion								
Traditional public functions	Direct subsidies								
	Tax incentives								
	Preservation of heritage sites								
	Improvements to public spaces								
	Improvements to infrastructure								
	Revitalization plans								
	Preservation regulations								

Source: Rojas, *Old Cities, New Assets*, table 2.2a. Reproduced by permission, courtesy of the Inter-American Development Bank.

The Private Sector

Private sector contributions to conservation PPPs are much the same as in other infrastructure partnerships—financial capital or the ability to raise and negotiate funds, the provision of skills, and the capacity to undertake long-term obligations—with a few slight adjustments. The private partner is expected to have deep knowledge of real estate development and construction and to understand the legislative tools and restrictions involved in working with historic buildings. Additionally, in many PPPs for conservation, the private partner is responsible for long-term management of the asset, unless a building is rehabilitated solely for continuous public use or for immediate private ownership.

With the shift toward triple bottom line reporting and the expectation that the private sector should exhibit social responsibility, conservation PPPs can benefit socially entrepreneurial, private sector developers. Some parts of the private sector are now willing to accept profits that accrue over the long term, making conservation projects more viable. Similarly, government assurances of long-term involvement can boost private sector confidence. Given that conservation generally aspires to the long view, this is an area where a PPP can provide substantial benefits.

Heritage conservation is a specific market within the development sector. When coupled with regeneration projects, it can potentially be more profitable than conservation alone, particularly when financial risk can be shared. In places where PPPs are common, such as the United Kingdom, projects with heritage components may remain profitable even during economic downturns—a factor that has spurred interest in historic building development. In some instances, the private and third sectors work together without public sector input beyond legislation.

Multinational companies have played a role in conservation. They might do this to demonstrate corporate responsibility or they might engage in conservation to protect or advance their own interests.⁴⁶ This contribution often comes in the form of straightforward philanthropy, in which case the project is not a PPP. Such support typically includes direct grants to organizations or projects, such as American Express's funding of the World Monuments Watch program of the World Monuments Fund. Examples of PPPs involving multinational corporations for heritage sites are rare, and there is none specifically documented for cultural sites that include urban conservation. An example from the natural heritage sector (involving the Shell Foundation in partnership with the UNESCO World Heritage Centre and Earthwatch) focused on strengthening the business planning capacities of nonprofit organizations (government agencies, NGOs) that are charged with management and protection of World Heritage Sites currently under some degree of threat. This project provided a business planning tool kit for managers of natural World Heritage Sites in developing and middle-income countries, and taught them other core business skills. Shell executives were involved in training and mentoring.⁴⁷

Corporations in the business of tourism are likely potential partners for PPPs that address cultural heritage sites. Given the potential conflict between their own business interests and a site's conservation needs, PPPs involving corporations require very clear, shared objectives and criteria to prevent exploitation of the heritage resource for short-term profit. Much has been written about tourism-related development at heritage sites, but no literature specifically relates to the roles of PPPs.

Third Sector Partners

Local conservation organizations and coalitions often have a vested interest in a historic building or area and sometimes catalyze the partnership by pressuring

government to act. As mentioned, in cases where government lacks the capacity to manage such a partnership, the third sector may act in the public interest. Or, as in the case of the Presidio in San Francisco (see case study 6), government will create or substantially support a nonprofit entity charged with overseeing a site and its reuse or redevelopment.

CASE STUDY 6

Presidio of San Francisco, San Francisco, California, USA

Description The Presidio of San Francisco was established in 1776. It is the most intact of the four *presidios*, or Spanish royal forts, built in the late eighteenth century along the California coast. The site, which was a US Army post from 1846 until 1994, features the most comprehensive collection of military architecture in the United States. Today it is a National Park and a National Historic Landmark District.

The Presidio spans 603 hectares (1,491 acres) on the northern tip of the San Francisco Peninsula, where it meets the Golden Gate (fig. 9). The Presidio has over 500,000 m² (6,000,000 sq. ft.) of building space; more than 470 of its buildings are historic and contribute to the significance of the landmark district (fig.10). As of late 2012, over 350 historic buildings have been rehabilitated, in addition to gardens, streetscapes, and the Presidio's historic gates.¹ Among the most important of the Presidio's cultural resources is an approximately 120 hectare (300 acre) forest planted by the Army along the Presidio's ridges at the end of the nineteenth century. Rehabilitation efforts began in 1994.

FIGURE 9

The Presidio site,
San Francisco.

Photo: © Carl Wilmington,
2013.



FIGURE 10

Funston Avenue
former Officers'
Quarters in the
Presidio. With the
Presidio Trust as
master developer,
the 1865 houses
were rehabilitated
as offices.

Photo: © Presidio Trust.



(Continued)

Project structure including governance

Congress passed the Presidio Trust Act in 1996, creating an innovative federal agency to oversee the preservation and enhancement of the Presidio and to guide its evolution from historic military post to National Park site. The Presidio Trust was mandated to make the Presidio financially self-sustainable. The rehabilitation and reuse of historic buildings and landscapes constitute the mechanism for generating revenue. The preservation and financial mandates dovetail in fortuitous ways. The Trust enters into agreements with private entities to redevelop and reuse properties. All revenues are retained by the Trust to invest in further capital improvements and to operate and maintain the Presidio. The Presidio is the only National Park site managed in this way.

The Presidio Trust is an independent federal agency overseen by a seven-member board of directors; six of the directors are appointed by the US president, and one director is the secretary of the interior or his/her designee.

Partners	Public	Private	Third sector
	<ul style="list-style-type: none"> – The Presidio Trust 	<ul style="list-style-type: none"> – Multiple private investors, including: Equity Community Builders; Forest City Enterprises; Futures without Violence; House of Air; La Petite Baleen Swim School; Letterman Digital Arts; Planet Granite; Presidio Social Club; University of San Francisco; Walt Disney Family Foundation 	
	<p><i>Roles & responsibilities</i></p> <ul style="list-style-type: none"> – Owner, planning authority – Develop design guidelines and project objectives that lead to a request for proposals; oversee a competitive process for each PPP project, for which the Presidio Trust is the final decision maker – Complete the public review process under the National Environmental Protection Act and the National Historic Preservation Act, secure the entitlements, and ensure compliance with the provisions of the record of decision, programmatic agreement, or other decision documents 	<p><i>Roles & responsibilities</i></p> <ul style="list-style-type: none"> – Developer, tenant – Develop responsive proposal – Participate in the public process and abide by decisions and mitigations formalized under the National Environmental Policy Act and the National Historic Preservation Act – Undertake design and development process and cost – Provide interpretation in public areas – Contribute to the common maintenance of the park, including public safety, through payment of a service district charge 	

(Continued)

Partners	<ul style="list-style-type: none"> – Negotiate development agreements and leases – Oversee design and development plans, undertake ancillary infrastructure and/or landscape improvements, permit the work, and provide a certificate of occupancy – Ensure access to common areas of public buildings and ensure that appropriate interpretation is provided – Inspect property annually; in some instances, provide building maintenance; provide common area maintenance, landscaping, signage, and infrastructure; provide for public safety, including fire protection services, and all municipal services <ul style="list-style-type: none"> – Maintain building in accordance with the standards set and ensured by the Trust
Sources of funding & financing structure	<p>Two sources of revenue: an annual federal appropriation, which decreased each year and ended after FY 2012, and revenues earned from the leasing of buildings for both commercial and residential uses.</p> <p>All revenues are reinvested into the Presidio to continue capital improvements; to fund long-term maintenance of buildings, grounds, natural areas, and infrastructure; to protect and enhance resources and to provide public programs.</p> <p>For every federal dollar spent for the Presidio, the Trust has leveraged four dollars of private investment. Some private investors have taken advantage of the Federal Historic Tax Credit program.</p>
Project summary	<p><i>Approach, conservation issues, rationale for PPP</i></p> <hr/> <p><i>The Project:</i> Preserve and reuse the Presidio’s historic buildings; rehabilitate its diverse historic landscapes, including the forest; restore the Presidio’s open spaces and natural areas; remediate landfills and clean up areas where the soil contains petroleum or lead; revitalize the Presidio community; generate revenue to sustain the Presidio independently of annual federal appropriations; and allow for the evolution of the historic military post into a National Park that exhibits state-of-the-art land management.</p> <p><i>Challenges:</i> The conversion of a 603 hectare (1,491 acre) military base exceeded the capacity and approaches of traditional park management. The Trust’s financial mandate has been criticized—especially in its initial years of operations—as a threat to its resource preservation goals, but in fact, the two are complementary.</p> <p>When the Army departed in 1994, the Presidio was vacated, and buildings were left vacant and in poor condition; in some cases, they were practically derelict. The forest had been poorly maintained and was also in decline, and landfills compromised the ecological values of some of the Presidio’s prime open space. Long before preservation could be considered, rehabilitation had to be undertaken.</p>

(Continued)

Project summary

Why PPP? At the Presidio, it was necessary to bring private capital to the multimillion-dollar effort required to rehabilitate, reuse, and preserve the National Historic Landmark, providing space in which to offer public programs in historic buildings. To date, the Trust has invested primarily in rehabilitating housing, much of which is historic, to establish a strong revenue stream. In order to maximize public access, the Trust has also invested in the historic buildings of the Main Post, the heart of the park, which is becoming the central visitor destination (fig. 11).

FIGURE 11

Montgomery Street Barracks in the Presidio. Five identical barracks from the 1890s have been developed in various ways, with the Presidio Trust acting as developer for three. Building 104, now the Walt Disney Family Museum, was developed and funded by the Walt Disney Family Foundation.

Photo: © Jay Graham.



Project outcomes

The Trust has rehabilitated more than 350 of the historic buildings under its jurisdiction and approximately 40 percent of the landscape, including a major reclamation of asphalt parking areas and environmental remediation sites. Between 1998 and 2012, more than \$1.6 billion was spent on rehabilitation.² Since 2004 the Trust has been operationally self-sufficient; net operating income has replaced annual federal appropriations (which ended in 2012), creating a strong financial foundation. Eight thousand people live or work in the park, keeping alive its historic character as a community.

Among the most challenging projects the Trust has undertaken is the rehabilitation and adaptive reuse of the Public Health Service Hospital district in the southwestern corner of the park, which in 2004 was in dire condition. With two landfills, 14 deteriorating historic structures (including the vacant, seven-story historic hospital), extreme vandalism, and a cemetery for unknown sailors obscured beneath a parking lot, revitalizing the district took creativity, perseverance, community support, and substantial public and private investment.

Preservation work included removing extensive graffiti; seismically upgrading the buildings; repairing the brick, limestone, terracotta, and plaster exteriors; rehabilitating nearly eight hundred historic wooden windows; reestablishing the main building's grand entrance stair and portico; and rehabilitating the historic landscape and site features. The result is a sustainable mixed-use community with 172 housing units, office space, a preschool, a printing press, trails, and 10 hectares (25 acres) of open space and native habitat. Revitalization of this complex district could not have happened without the PPP between the Trust and Forest City Enterprises, a national real estate development company.

(Continued)

**Project
summary**

The Presidio Trust did not have the resources to undertake such a complex and financially challenging project on its own. Nor could the Trust find a private developer willing to undertake independently a project so fraught with remediation, entitlement, and regulatory challenges.

The Trust and private sector partner Forest City each undertook complementary aspects of the project, and together they created a vision for the entire district. The Trust, navigating regulatory hurdles, rehabilitated the site, and Forest City financed and developed the largest historic building, the 1932 Presidio Public Health Service Hospital, as apartments.³

1. Presidio Trust, *Milestones: Presidio Trust 2012 Year-End Report to Congress and the Community* (San Francisco: Presidio Trust, 2012), 16, www.presidio.gov/about/Administrative%20Documents/EXD-700-FY2012AnnuRpt.pdf (accessed 28 Feb. 2014).

2. *Ibid.*, 14, 23.

3. Additional sources include: Tia Lombardi, Presidio Trust, personal communication with Susan Macdonald, 2012; Presidio Trust, "Presidio Trust Mission + Vision," www.presidio.gov/about/Pages/mission-history.aspx (accessed 18 Feb. 2014).

As project advocates, third sector partners can assist in a project's marketing and public education efforts. Sometimes the third partner can play a role in its own right, essentially acting like a private partner. However, unlike typical infrastructure PPPs, in which the motivation is profit, the third sector primarily wants to conserve the heritage place. While the organization does need to cover its costs, its actions and decisions are not driven by profit. Public consultation with community stakeholders is also a big part of the initial PPP process, and third sector organizations can facilitate this predevelopment activity, providing insight helpful in identifying aspects of buildings that contribute to neighborhood identity, as well as assessing community needs that could present alternative uses for the buildings.

Interest in the involvement of the third sector for conservation PPPs is increasing, as evidenced by recent literature that describes an expanding role for a variety of third sector players. As mentioned in the introduction, with increasing emphasis on community engagement in the conservation process, the third sector can potentially play a more formal role through the PPP process that may or may not be purely financial.

The British-based Institute of Historic Building Conservation has made a strong case for greater recognition of the role of building preservation trusts as an important third sector tool for conserving local heritage places through ownership by local government or private entities.⁴⁸ Because BPTs are less fettered by commercial considerations than are private sector entities, they can be more effective in achieving conservation outcomes. There are about 120 BPTs now operating in the United Kingdom. Essentially BPTs utilize the build-conserve-operate-transfer (BCOT) model (described in chapter 9, "PPP Typologies for Heritage Conservation") for heritage properties that have been identified as at risk.⁴⁹ Any profit benefits future projects undertaken by the BPT through a revolving fund. However, BPTs are now often more reliant on government grants to perform their role as enablers, rather than being principally reliant on revolving funds. With dwindling grants and an aging voluntary sector on which the third sector often relies, there is obvious pressure on BPTs to continue to deliver their impressive results.

The British model of BPTs, which are creating close working relationships with local planning authorities, provides some potential for urban conservation projects.

The ability of the third sector to work nimbly with other NGOs in areas such as housing or community organizations provides opportunities to facilitate conservation outcomes that may be difficult for the public sector to manage. Organizations such as the UK Association of Building Preservation Trusts and the International National Trusts Organisation (INTO) are becoming more strategic in presenting the ways in which the third sector can assist in delivering conservation outcomes.

Another type of third sector organization involved in heritage conservation projects is professional civil societies dedicated to conservation as an end goal. The internationally focused World Monuments Fund, the Global Heritage Fund, and the Getty Conservation Institute are examples of third sector organizations that are comprehensively involved in projects beyond providing a straightforward grant. There are a number of other organizations that address a variety of social and economic issues internationally or in specific regions of the world; these include the Aga Khan Trust for Culture's Historic Cities Programme, which undertakes conservation that acts as a catalyst for local action, in partnership with government. An example is the Aga Khan Trust's contribution to the conservation of Cairo's historic center (figs. 12 and 13).

At the international or regional scale, as mentioned previously, development banks such as the World Bank, the Inter-American Development Bank, and the Asian Development Bank play a significant role in urban regeneration in developing countries, inevitably in areas of heritage significance.

The Getty Conservation Institute's own work in some areas can be described as a form of public-private partnership. In Egypt, the GCI is working with the Supreme Council of Antiquities (SCA) to conserve and initiate a new management approach for the Valley of the Queens (fig. 14). The GCI has provided conservation expertise



FIGURE 12
The historic center of Cairo, which was conserved with assistance from the Aga Khan Trust for Culture.
Photo: Susan Macdonald.



FIGURE 13
A heritage building in the historic center of Cairo.
Photo: Susan Macdonald.

FIGURE 14

The Valley of the Queens, Egypt. A conservation management plan and proposed works have been developed by the Getty Conservation Institute in partnership with Egypt's Supreme Council of Antiquities.

Photo: Susan Macdonald.



to analyze the range of issues that need to be addressed, including interior tomb conditions, structural problems, flooding, visitor management, and interpretation. The work was carried out by GCI staff, consultants, SCA staff, and a private Egyptian architectural and engineering firm, Hamza Associates. While the GCI has funded its own staff and consultants, the costs for Hamza's involvement in the project have been shared between the GCI and Hamza, who heavily subsidized their own input during the design and proposed construction phases of the work, demonstrating their commitment to Egypt's cultural heritage. The GCI's contributions to the project have been in the areas of knowledge and capacity building, development of the conservation and management proposals, and implementation of the physical conservation and presentation of the wall paintings. The implementation of the engineering and flood control work by the Egyptian government is at present on hold owing to the events in Egypt in 2013 and 2014.

These international civil society organizations play another important role in places where the regulatory and policy framework for heritage is weak, essentially establishing standards for conservation based on international best practice. The development banks also perform this role, as the establishment of such standards is often a prerequisite for funding. Most nonprofit organizations play a role in capacity building through training of in-country professionals as a means of embedding and sustaining conservation standards in the places they work.

The Prince's Regeneration Trust (PRT) works throughout the United Kingdom in the field of heritage-led regeneration. This is an example of a third sector organization specifically dedicated to finding viable solutions to at-risk historic places. A charity of Charles, Prince of Wales, PRT works with local authorities, the private sector, and communities to ensure that important heritage buildings that are threatened are conserved and reused to benefit the community. PRT has a record of successfully brokering consensus between local authorities and private developers. It has produced a number of useful documents and guides to assist in delivering good conservation outcomes; these include the *Sustainable Heritage Toolkit*.⁵⁰

In the Netherlands, a country with a reputation for engaging in PPPs across a number of areas, Monumentenwatch is an example of a third sector organization

that participates in the day-to-day care and conservation of historic buildings. Started in 1973, it has spawned many similar organizations across Europe.⁵¹ When they belong to this subscription-membership organization for the owners of listed or recognized historic buildings, owners can request an annual condition inspection by the team of two experienced conservation practitioners—one architect, one craftsman. Their reports are then used by the authorities to select properties for maintenance grants. In some cases, emergency repairs are undertaken. Monumentenwatch is funded by a combination of different levels of government and by the subscription fees.

British Waterways in the United Kingdom is a public sector organization currently responsible for the management of waterways in England and Wales, as well as nearly three hundred listed heritage structures, buildings, industrial heritage sites, and archaeology. Government is in the process of transferring the organization to a charity, where it will continue to work in partnership with a number of public, private, and third sector partners to conserve and care for its significant cultural heritage assets. British Waterways has an established track record of using PPPs to conserve, redevelop, manage, and transfer its properties.⁵²

Given the increasing recognition of heritage as a community asset and the collective interest in its conservation, the role of the third sector is likely to expand. The third sector's role is not, however, confined to partnerships with both the public and the private sectors. Partnerships between the private and third sectors—without a public sector component—are emerging as a mechanism for achieving conservation, particularly for urban sites and less monumental heritage places.

An example of a partnership between the private and third sectors is the Prince's Regeneration Trust and a local business operator in the United Kingdom working together. Here the PRT, working as the United Kingdom Historic Building Preservation Trust, acquired the country's last working Victorian pottery, Middleport Pottery in Burslem, Stoke-on-Trent, and entered into a partnership agreement with the ceramics manufacturing business operating on the site (figs. 15 and 16). The agreement secured the future of the business and of the employees' traditional skilled jobs; it also freed up additional renovated space for new uses,

FIGURE 15
Middleport Pottery, Burslem,
Stoke-on-Trent, UK.
Photo: © Prince's Regeneration Trust.



FIGURE 16

View of the interior of Middleport Pottery.

Photo: © Prince's Regeneration Trust.



including workshops for rent, a cafe, a heritage interpretation space, a gallery, and a visitor center. Although this partnership is between the private and the voluntary sectors, it fulfills the criteria of a classic PPP: resources are shared since both parties are contributing considerable time and money to the project; risks are shared through the lease agreement; and rewards will be shared, since both parties will benefit from higher visitor numbers, resulting in higher revenues from the factory shop and the cafe.

CHAPTER 9

PPP Typologies for Heritage Conservation

Though heritage PPPs generally follow the institutionalized or contractual framework of other infrastructure partnerships, their typologies may be slightly more standardized when they involve government-owned buildings or sites. Many PPP projects concerned with heritage buildings or sites involve retention of public ownership of the heritage asset through long-term leases or options to repurchase or lease back the asset after rehabilitation.⁵³ Urban regeneration projects are the exception, as these areas usually have mixed ownership. In these projects, the private sector acts to build or conserve and finance, but it will rarely operate the buildings, as private ownership may already exist or is the desired outcome.

Table 4 identifies typical PPPs used for conservation in relation to the categories used for nonheritage projects (see chapter 4). The general PPP categories have been adapted to fit conservation objectives by the substitution of the word *conserve* for the word *build*.

TABLE 4
PPP types for heritage conservation in relation to general PPP types. For a list of categories of general PPPs, see the sidebar “PPP Categories by Delivery Type,” p. 18.

PPP type	PPP type as applied to conservation	Description/ characteristics	Examples of PPPs for conservation
Buy-build-operate (BBO)	Buy-conserve-operate (BCO)	<ul style="list-style-type: none"> • Closest to privatization. • Private or third sector purchases the heritage asset outright, with strict requirements, such as easements or maintenance standards. • May be a single transaction or gradual. • Ownership may be direct or a third-party acquisition. • Government may protect heritage asset to make it subject to legislation and mandated standards of conservation and maintenance. 	<p>In the UK and Australia, government sells heritage buildings with conservation requirements that obligate the owner to uphold its defining characteristics. Government may place the structure on a local or national heritage list so that the state can intervene if standards are not upheld.</p> <p>Neighborhood-scale regeneration projects of government properties are typically in this category.</p> <p>An example of a gradual implementation of the BCO partnership is San Francisco’s Presidio (case study 6).</p>
Build-own-operate-transfer (BOOT) Build-operate-transfer (BOT) Build-lease-operate-transfer (BLOT)	Build-conserve-operate-transfer (BCOT) Build-conserve-lease-operate-transfer (BCLOT)	<ul style="list-style-type: none"> • The most straightforward of agreements, involving private sector or third sector conservation of the historic structure and its operation and management through a long-term lease. • In regeneration schemes, government remains highly involved in the project’s design and development to ensure that the structure’s historic attributes remain available to the public. • The long-term lease usually addresses the conservation expectations of the project, 	<p>The General Post Office in Washington, DC (case study 5), is an example of a successful BCLOT partnership.</p> <p>There are many examples of governments providing long-term leases, often peppercorn leases, to third sector organizations to look after heritage assets open to the public. The National Trust of New South Wales leases Old Government House in Parramatta (now a World Heritage Site) from the NSW state government for \$1 per year. The National Trust is responsible for the care, conservation, and operation of the historic house museum.</p> <p>The terrace houses in Millers Point, Sydney, with their 99-year leases, are also a common type of BCLOT.</p>

(Continued)

PPP type	PPP type as applied to conservation	Description/ characteristics	Examples of PPPs for conservation
Build-own-operate-transfer (BOOT) Build-operate-transfer (BOT) Build-lease-operate-transfer (BLOT)	Build-serve-operate-transfer (BCOT) Build-serve-lease-operate-transfer (BCLOT)	specifying who has responsibility to maintain the building's cultural significance; defining the approval process for any changes; and mandating the allowance for public inspection of the building. <ul style="list-style-type: none"> • After the terms of the lease have been fulfilled, ownership and all responsibilities are transferred back to the public sector (although it is undocumented whether, to date, any heritage assets have been transferred back at the end of a lease). 	The UK's Vivat Trust is a building preservation trust that typically enters into 25–250 year leases with private owners or local-government owners of unused buildings. Vivat conserves the buildings and manages them as short-term vacation rentals through its marketing arm, Vivat Trust Holidays.
Design-build-finance-operate (DBFO)	Conserve-build-finance-operate (CBFO)	<ul style="list-style-type: none"> • The private sector is responsible for the conservation of historic assets, new construction, and the financing and operation of both. This typology is applicable to large-scale projects that extend beyond a single building, or to buildings that require extensive renovations. • May involve an SPV. 	The Quarantine Station in Sydney (case study 3).
Finance only		<ul style="list-style-type: none"> • Project funded directly by private sector or funded by long-term leases or bonds. 	<p>In Italy one mechanism of funding for both private and government conservation projects is through a special arrangement with banking institutions. A bank may choose to finance a conservation project for a listed building, monument, or artwork because of favorable publicity, tax breaks or reduced taxes, or statutory requirements. For example, the Monte dei Paschi di Siena Bank is required to donate a certain percentage of its profits to philanthropic initiatives, which can include conservation projects.</p> <p>Other arrangements include straightforward funding of conservation projects by organizations such as the World Monuments Fund, in which the organization provides not only funding but also expertise or other technical capabilities.</p>
Operation license		<ul style="list-style-type: none"> • Private or third sector operates a service under contract or license at the heritage asset for a fixed term. • The heritage asset remains in government ownership. 	The Angkor Wat archaeological site, operated for tourism purposes by the private sector.

In these agreements, the issue of ownership among the public, private, and third sectors is characterized by four common elements: long-term leases, sale with repurchase provision, sale-leaseback, and lease-leaseback options. All allow for the eventual reversion of the asset to the public sector; they are described below:

- *Long-term leases* maintain consistent public ownership.
- *Sale with repurchase provision* is useful in financial environments where tax or other financial considerations present immediate private ownership—with the government's obligation to repurchase the asset at a later date—as an attractive option.

- *Sale-leaseback* is an arrangement in which the government sells the property to the private partner, which immediately leases it back to the public sector; this is used primarily when the government wants use of the building but does not want, or cannot afford, to have capital tied up in the asset, and unless otherwise specified, the public sector is usually obligated to repurchase the building at the end of the agreement.
- *Lease-leaseback* agreements are similar to sale-leasebacks, with the exception that there is no repurchase agreement; the building will automatically revert to public ownership at the end of the lease.⁵⁴

There are limited examples of PPPs involving heritage conservation in Asia. The Asian Development Bank recommends that policies encouraging PPPs or model projects respond to the budget constraints of citizens and businesses in historic urban areas. Steinberg suggests that the projects most likely to succeed are based on PPP types of build/conservate-transfer, build/conservate-operate-own, or build/conservate-finance-transfer.⁵⁵

PPPs for conservation projects are dynamic, usually long-term transactional contracts between the public and private sectors, which share their resources, risks, and rewards as they work toward their common goals. As discussed above, there are many heritage partnerships or alliances that describe themselves as PPPs but lack any sharing of risk or transaction between parties. In the heritage industry, most of these partnerships function as tourism marketing or promotional partnerships, to raise funds or encourage visitation. Other interactions between the public and private sectors that are not true PPPs for conservation include eminent domain (where government seizes a property and compensates the owner), or public procurement, and projects in which the public sector contracts with private developers for a service. The latter is a one-sided contract in which the public sector shoulders most of the risk and investment.

Fox, Brakarz, and Alejandro Cruz describe the structure of tripartite partnerships in regeneration projects as utilizing three different models:

- *Parallel implementation*: The three sectors work independently to achieve coordinated and complementary activities. In this model, one sector needs to lead and oversee coordination of all the sectors' efforts and lead an appropriate committee or similar body.
- *Joint venture*: A formal, legally binding joint capital partnership with funding from the private and public sectors—such as a special purpose vehicle (SPV). The third sector may play a role in decision making but will not contribute financially.
- *Participatory development*: In this model, a decision-making and coordinating body with no legal standing is composed of representatives from the three sectors.⁵⁶

Each of these models has pros and cons, and the determination of which would be most effective will depend on the specific circumstances of the project. In Australia, Walsh Bay was converted from a dilapidated wharf area to a thriving mixed-use area of retail, residences, and artists' spaces via an SPV, Walsh Bay Partnership (see case study 7).

CASE STUDY 7

Walsh Bay, Sydney, Australia

Description Constructed in the early 1900s, Walsh Bay is an important part of Sydney's maritime and urban heritage. This dilapidated and abandoned Wharf Precinct, which is within the city boundaries, had an extensive history of attempted renewal over two decades. Pier 4/5 was the first structure to be restored; it was converted into the Sydney Theatre Company. Over the years, various developers attempted to rehabilitate the area. Government recognized the area's significance by listing it on the NSW State Heritage Register and creating Regional Environmental Plan No. 16 (REP16).¹ The rehabilitation project began in the mid 1990s and underwent several iterations and changes before approval. The Walsh Bay Partnership was a joint venture between two developers, one a company with a strong engineering bias and the other a high-quality residential builder. The partnership resulted in successful conservation and adaptive reuse.

Completed in 2006 after several phases, the project covered rebuilt wharves and sheds, roads, and all services; infrastructure, new buildings, cultural facilities, new mixed-use commercial and residential buildings, and complete preservation of many existing structures (fig. 17).

FIGURE 17

A conserved and adapted wharf building and new wharf in Walsh Bay, Sydney. The refurbished facility includes high-end residential apartments.

Photo: Susan Macdonald.

**Project structure including governance**

This project has a unique, hierarchical lease system, whereby each building or site is considered a lot and then is divided into the equivalent of stratum lots. Each combined lot has its own lease, and the open spaces where there are heritage buildings and archaeological relics are regulated by that lessee committee. The ninety-nine-year lease is from the New South Wales government Marine Ministerial Holding Corporation (MMHC), and the lessees are known as ninety-nine-year lot lessees.

(Continued)

Project structure including governance

The lessees behave as if they were strata owners under the Strata Title system used in Australia. The space that is occupied is the space that is leased. Leases are held with MMHC. Each leased building or site is part of the single Walsh Bay Precinct leased from the MMHC. The Precinct Committee approves works, activities, and regulations in the whole precinct. It contains representatives from each building or lessee committee. The lease owners are subject to the Precinct Management Committee, and all works must go through that committee.

The whole of the Walsh Bay Precinct is protected as a State Heritage Item; work required the approval of the NSW Heritage Council and the City of Sydney. All approvals therefore must be accompanied by a heritage impact statement (HIS) and a conservation management plan (CMP) if new construction is undertaken. The master plan approval and the CMP for the whole and parts remain in force unless altered by approvals of the Council of the City of Sydney and the Heritage Council.

MMHC remains the owner, and the owner's approval is required on all development applications. This ensures a consistency of approach in all future works in Walsh Bay.

The project was subject to a high-level government audit, which concluded that the methodology had some flaws. The "negotiated" exclusive tendering system was questioned for fairness.

Partners	Public	Private	Third sector
	<ul style="list-style-type: none"> – New South Wales Marine Ministerial Holding Corporation (MMHC) 	<ul style="list-style-type: none"> – Initially, Walsh Bay Properties, a consortium of Transfield and Jose de la Vega – Later, Walsh Bay Partnership, Walsh Bay Finance (an SPV created as a joint venture partnership of Transfield and Mirvac) 	<ul style="list-style-type: none"> – Residents Action Group (RAG) – National Trust
	<i>Roles & responsibilities</i>	<i>Roles & responsibilities</i>	<i>Roles & responsibilities</i>
	<ul style="list-style-type: none"> – MMHC: Project partners supplying the land and building leases, including leases over water in the harbor; funding of key cultural and heritage infrastructure; owners, and thus approved all parts of the project before submission to NSW Department of Urban Affairs and Planning – NSW Waterways Authority: Technical 	<ul style="list-style-type: none"> – Walsh Bay Properties: Initial bidder and negotiator of the first proposals – Walsh Bay Partnership and Walsh Bay Finance: Hold, secure all approvals, develop, build, and sell on behalf of the MMHC all the land within the development; conserve and adaptively reuse the site in conformance with NSW Heritage Council approval 	<ul style="list-style-type: none"> – RAG: Acts on behalf of the local residents as a primary community stakeholder and negotiates outcomes for the local community – National Trust: Acts on behalf of its members and mounts protest and legal action to stop development

(Continued)

Partners	<p>approvals and compliance in regards to the water precincts for sign-off before submission for approvals</p> <ul style="list-style-type: none"> – NSW Department of Public Works and Services (NSWPW): Project governance technical advisors and providers of financial auditing, contract control, and administration – NSW Treasury: Government review and probity
Sources of funding & financing structure	<p>The developer formed a project delivery agreement with the NSW government to develop; the developer built and then sold at a profit for both partners. Government provided funding in tranches related to specific infrastructure and cultural projects after the developer committed to the projects.</p> <p>The developer provided event-based cash development bonds that were released on an agreed timetable. The project was divided into twelve phases; they could be varied and were allowed to be taken up depending on market and demand conditions. It was required that the key phases commence immediately, but it was possible to stagger others with agreement by all parties.</p> <p>The financial plan included the concept of “capped cost feasibility,” and a financial model was developed that tracked and judged performance cost and profit return to the government. The financial model included a series of milestones. It was event-based, and the sequence of building was flexible. The project delivery agreement allowed for presales activity after development approval. This gave certainty to the developer. The process allowed harmonizing of expenditure over many complex activities. This was overseen by the NSWPW legal counsel and probity officers. All activities were transparent. Private funding for this venture was considerable, and funding planning was essential. Preselling “off the plan” ensured profitability and guaranteed continued private funding.</p> <p>Each milestone had financial consequences, and the project’s progress was continuously tracked, but the model was adjusted only for economic conditions.</p>
Project summary	<p><i>Approach, conservation issues, rationale for PPP</i></p> <p><i>The Project:</i> High-end residential accommodation in new and adaptively reused buildings; A-grade commercial buildings in new and adaptively reused bond stores; new luxury residential Pier 6/7 building over water on the original footprint; fifty-berth private marina; new infrastructure, road services, urban landscape; new 870-seat theater; arts use in fully restored Pier 2/3 at eastern Heritage Precinct; restored maritime relics and fabric for interpretation; display of restored archaeological ruins with interpretation; public access to the harbor as a part of the Sydney Harbour Circle Walk.</p>

(Continued)

Project summary

Challenges: In 1998 the National Trust of Australia filed a lawsuit objecting to plans to demolish Pier 6/7. The next year, court proceedings ceased as state government passed the Walsh Bay Development (Special Provisions) Act, negating the National Trust objectives and changing planning laws. In later years, public pressure mounted to ensure that the unique timber wharves and the area as a whole were preserved. The public concerns resulted in the application of Regional Environmental Plan No. 16 and the listing of Walsh Bay Wharves Precinct in the NSW State Heritage Register. These heritage planning instruments did not carry the power to enforce maintenance.

Why PPP? A PPP was needed to redevelop the site in a creative way and to meet the various objectives, including preserving the urban character and the heritage relics and fabric and returning a profit to the government. This successful PPP returned a profit to both parties on their investment. However, the project delivery agreement also allowed for any losses to be shared. The development risk was seen at times to be high, and the project was perceived as complex. The PPP financial/funding model for Walsh Bay was too complex to be handled by the MMHC, which is a maritime authority, so NSWPW acted as advisor.

Project outcomes

As part of the conservation of Walsh Bay, old hardwood timbers were salvaged and reused around the site, and industrial and historical artifacts were conserved and permanently displayed. NSW government estimates that over 80 percent of the existing buildings were retained. An interpretation of the site was incorporated into the development.

The project was estimated to provide almost five thousand jobs during the seven-year construction period and about two thousand more jobs through the operation of the facilities.

The AU\$700 million project was completed in 2006, and it has received over sixty-five Australian and international property-industry awards. Walsh Bay has been transformed into a lively mix of residential, cultural, retail, commercial, and public facilities.²

1. New South Wales Audit Office, *Performance Audit Report: Review of Walsh Bay* (Sydney: Audit Office of New South Wales, 1998), 15, www.audit.nsw.gov.au/ArticleDocuments/130/58_Review_Walsh_Bay.pdf.aspx?Embed=Y (accessed 18 Feb. 2014).

2. Additional sources include: Nicola Field, Chris Walker, and Tim Georgeson, *Walsh Bay: Harbourside Renaissance* (South Yarra, Vic.: Hardie Grant Publishing, 2004); interviews by Tasman Storey with Luca Belgiorno-Nettis, joint managing director, Transfield Holdings, with Christopher Bland, chief legal officer, Transfield Holdings, and with Gavin Carrier, former project director, Walsh Bay Partnership, all conducted in August, and September 2011; Transfield Holdings, "Walsh Bay Redevelopment Project," www.transfield.com.au/walsh-bay-redevelopment-project (accessed 18 Feb. 2014); New South Wales Roads and Maritime Services, "Walsh Bay," www.maritime.nsw.gov.au/mpd-projects/walsh.html# (accessed 18 Feb. 2014).

CHAPTER 10

Risks and Challenges

There are a number of texts by intergovernmental and government bodies that articulate the risks in PPPs. Though none specifically address PPPs used for heritage conservation, many of the risks discussed also apply to conservation projects. Projects involving individual buildings are obviously much simpler, as the risks are more easily identified and quantified. The United Nations Economic Commission for Europe (UNECE), the United Nations Development Programme (UNDP), and the National Council for Public-Private Partnerships all provide useful information on the risks and governance needs for PPPs.⁵⁷ As noted, inherent in the PPP is sharing of risk across the sectors. Critics of PPPs argue that, in many cases, private sector risk is quite low—risk being disproportionately held by the public sector—and that a PPP is, therefore, potentially inefficient. One of the key challenges is therefore to allocate the risks. Despite the premise that risk will be shared, the private sector is not always willing to accept much risk without the potential for substantial returns and it sometimes requests additional concessions from the public sector in the forms of grants, subsidies, or guarantees.⁵⁸ As mentioned previously, the increased conditioning of grants by the funding bodies can be a barrier to the private sector. The need for the public sector to demonstrate public value and align funding to specific government objectives can create challenges in putting together an overall financial package for a project. However, organizations engaged in this process that were contacted in developing this review found that, in the end, the advantages of the public, private, and third sector partnerships outweigh the disadvantages.

Private sector risk is not necessarily purely financial; it can include risk that, due to complex government regulation, slows down the project or makes achieving the outcomes difficult. The public sector assists in reducing this risk by providing greater regulatory certainty through assistance in managing red tape.

In Australia, government will sometimes deal with large PPP projects by creating special regulatory frameworks to manage a project, thereby removing or simplifying some of the regulatory processes and coordinating complex processes across different government departments. The redevelopment of the Redfern-Waterloo area of Sydney, a large urban renewal project, is an example. A new statutory body—the Redfern-Waterloo Authority—was created, with its own dedicated legislation to facilitate the redevelopment of this publicly owned former industrial land. This SPV had the authority to make planning decisions under the relevant planning, heritage, and housing regulations. The legislation provided for the involvement of private subsidiary corporations and gave the public the authority to work in partnership with a private corporation, other public body, or joint venture, in order to carry out its functions.

Communities are sometimes skeptical of these approaches, as they effectively short-circuit existing planning or heritage approval processes that may include

community consultation. The third sector can play a role in securing local participation when it is involved.

Private sector entities are generally looking for the presence of four key factors (the “four Cs”) that assist them in reducing risk when redeveloping sites or areas involving historic areas, buildings, or sites:

- **clarity** about the elements that are important and need conservation, the standards for conservation, the appropriate level of change, the areas that can be redeveloped, and the ways in which those areas can be developed
- **certainty** about the regulatory framework, how it will operate, and the time it will take to deal with the authorities
- **consistency** in the application of the regulations
- **consultation** and open **communication** between the public and private sectors

These criteria are also applicable to PPPs for heritage conservation. Transparency in the regulatory framework and in the roles and responsibilities of the sectors involved is therefore key. A transparent and predictable process assists the private sector in securing financing for projects.

Because master plans approved by government provide certainty for the private sector and the community regarding how an area or site will be conserved or regenerated, they are an important tool for attracting private investment. For example, rehabilitation of Australia’s Prince Henry Hospital was included in the Little Bay master plan, facilitating its redevelopment (see case study 8). The private sector usually relies on lenders to support projects, and lending bodies look for certainty that their loan will be repaid; thus, creating certainty can unlock funds from lenders.

CASE STUDY 8

Prince Henry at Little Bay, Sydney, Australia

Description

The former Prince Henry Hospital site, spanning 84 hectares (208 acres), is located 14 km (9 miles) from Sydney’s central business district on a site inhabited by the Aboriginal population prior to European settlement; a hospital built there functioned between 1888 and 2003. By the time it closed, the dilapidated hospital included over sixty buildings and landscape elements, some of great heritage value (fig. 18). Evidence of Aboriginal occupation included middens, ax-grinding grooves, and a possible fish trap. Historic buildings included fine examples of Florence Nightingale



FIGURE 18

Prince Henry at Little Bay, Sydney. The property incorporates numerous natural and cultural heritage features. The densely developed area is delineated by the heavier dashed line, and lighter dashed lines circumscribe the whole site.

Photo: © Landcom.

(Continued)

Description	pavilion hospital wards and 1930s functionalist/art deco buildings. Historic landscape elements included a clock tower, water tower, wishing well, roads, and rows of pine trees and phoenix palms. In 1999 Landcom, the development arm of the state government of New South Wales, commenced due diligence and concept planning to establish the possibilities for adaptive reuse of the Prince Henry site. In 2001 a master plan was prepared. Between 2003 and 2009, the partners redeveloped the site for a variety of commercial, social, and residential uses while conserving and adapting the heritage buildings and the natural and cultural landscape and retaining a connection with the site's former medical use through the provision of selected social services.		
Project structure including governance	In 2003 Landcom formally purchased the site from the New South Wales Department of Health. As master planner and master developer, Landcom undertook the extensive remediation necessary, provided the infrastructure, and constructed the community facilities. Landcom then tendered out specific development parcels to the private sector to deliver the residential and commercial structures within certain time frames. As well as being subject to local council controls such as a local environment plan, master plan, and development control plan, all development proposals are subject to the Prince Henry Design Guidelines, which are overseen by the Design Review Panel prior to submission to the local council.		
Partners	Public	Private	Third sector
	– Landcom (New South Wales state government)	– Stockland—developer – Brookfield Multiplex—developer – Sunland—developer – St. Luke's—aged care provider	– Local community groups
	<i>Roles & responsibilities</i>	<i>Roles & responsibilities</i>	<i>Roles & responsibilities</i>
	– Master planner, master developer, chair of the Design Review Panel	– Provision of commercial and housing facilities (detached homes, town houses, apartments, aged care, affordable housing)	– Provided input to site redevelopment as stakeholders
Sources of funding & financing structure	<p><i>Public:</i> Landcom purchased and remediated the site and constructed the infrastructure and community facilities at a cost of around AUS\$220 million.</p> <p><i>Private:</i> Funding from various sources (i.e., sales; development fees; profit shares from developers and end users, who in turn constructed the built form) totaled around \$270 million.</p>		
Project summary	<p><i>Approach, conservation issues, rationale for PPP</i></p> <p><i>The Project:</i> Heritage consultants were part of the due diligence and master planning process. The whole site was listed on the New South Wales State Heritage Register. Heritage consultants prepared an Archaeological Management Plan, Conservation Management Plan, and Specific Elements Conservation Policies. Development is required to have a</p>		

(Continued)

Project summary

Heritage Impact Statement. When development applications are submitted to the local council, they are referred to the NSW Heritage Office for approval.

Challenges: The historic buildings were highly contaminated, degraded, and dilapidated; restoration costs were unknown but likely to be much higher than the price of demolishing and rebuilding; the private sector was hesitant to restore the costly heritage buildings.

Why PPP? As a large government-owned property with identified natural and cultural heritage values, the site needed a creative and strategic approach to its redevelopment. The state government of New South Wales does not generally build private housing, but this site was deemed suitable for private residences. The PPP limited Landcom's investment, shared the commercial risk, provided the private sector with a significant development opportunity, and allowed the private sector to contribute its commercial expertise.

Project outcomes

Redevelopment of the Prince Henry site is rejuvenating a dilapidated former hospital property and creating a new residential and community precinct, while keeping 80 percent of the site in public ownership (fig. 19). The redevelopment is contributing to a sustainable future and provides a model for redevelopment of similar heritage and environmentally sensitive places in Australia. Ultimately there will be around one thousand private residences, including affordable housing, as well as care for the aged and commercial and community facilities. Community groups operating in facilities on the site include two Aboriginal health groups, a senior citizens' group, and a detoxification center. The site is embraced by its residents, as evidenced by sales and a strong resale market.

The redevelopment has won over twenty Australian design/planning/building industry awards for master planning, heritage, adaptive reuse, and construction of new buildings.¹

FIGURE 19

The former cricket oval, Prince Henry at Little Bay. The oval has been retained as part of an open space strategy. The historic buildings in the center background were conserved as housing, and the new structures flanking them were designed in accordance with the master plan.

Photo: © Landcom.



1. Sources include: Landcom, "Prince Henry at Little Bay, Created by Landcom," www.princehenry.com.au (accessed Apr. 2012; site discontinued); Godden Mackay Logan, *Prince Henry Site, Little Bay: Conservation Management Plan*, prepared for Landcom (Sydney: Godden Mackay Logan, 2002, amended 2003).

Policy documents that outline conservation standards for adaptive reuse of buildings and for inserting new buildings into the historic urban environment, public domain conservation standards, and signage all assist in achieving a shared understanding of appropriate conservation and development and help satisfy the four Cs listed above. Regeneration projects meeting the above standards have demonstrated higher returns for sector partners because of enhanced outcomes. An example is the former Prince Henry Hospital site, where purchasers of vacant

blocks of land were bound by design guidelines developed to respond to the site's heritage and environmental needs. Rather than viewing these guidelines as restrictions that lowered value, the purchasers were prepared to pay a premium, as the design quality of the surrounding development was guaranteed to start high and remain high.

As with any cultural heritage project, the starting point is gaining a mutual understanding of the significance of the place and an understanding the level of change that can be accommodated without compromising that significance. Clarity about where new development can occur, how significant buildings and other elements will be conserved, which new uses are appropriate, and so on, must be based on the usual assessment processes. Within the PPP process, securing mechanisms that protect unifying features—such as streetscapes, significant views, and archaeological sites that contribute to overall heritage significance—is a challenge that must be addressed. Conservation management plans (CMPs), used in Australia and the United Kingdom, are a mechanism for providing certainty about the above factors. In some instances a CMP can be recognized by authorities in the same way as a master plan can be and is a tool for decision making (see case study 8). Conservation management plans are prepared by conservation specialists with input from a multidisciplinary team of relevant experts, and they usually involve the input of the site owner.

Model contracts for PPPs and examples of their use are also a means of lowering the risks and therefore attracting new partners; however, no such models or guidance for creating PPPs for heritage is currently available. Some organizations, such as the Prince's Regeneration Trust, have developed their own models.

Another way in which risks can be mitigated is to form SPVs that contain members of the public, private, and non-profit sectors—such as those created in the Nottingham Lace Market, Presidio, and Walsh Bay projects (case studies 4, 6, and 7). SPVs take on risks in that they can also acquire and package lands for redevelopment in ways that would be much more difficult for the private sector to perform.⁵⁹

Stadsherstel, for example, is a Dutch organization formed in 1956 that acquires, rehabilitates, and manages residential and commercial historic buildings in Amsterdam (fig. 20). Started by a group of influential citizens concerned about the amount of postwar demolition and urban reconstruction and the need for public housing, it was established as a public housing authority corporation and a public liability company. It is overseen by a board of supervisors representing the company's shareholders—several Dutch banks and insurance companies. Stadsherstel functions as both a limited liability company and a public housing corporation, with the city owning a 13 percent share. In order to circumvent potential conflicts of interest, it was determined that shareholders would not receive more than a 5 percent annual dividend, with the remaining profits going toward restoration projects.

The majority of the buildings Stadsherstel purchases are in a severe state of decay (they are often considered beyond

FIGURE 20
The historic center of Amsterdam.
Photo: © Narvik/iStockphoto.



help) or they are individual buildings whose conservation has the potential to catalyze conservation and regeneration in the surrounding area. The company currently owns around 550 buildings, 400 of which are within the World Heritage Site of the Amsterdam Canal Ring. Initially the company bought only residential buildings, which it conserved and adapted to public housing, but since the 1990s, it has expanded its reach to other historic structures, including warehouses, a shipyard, fortresses of the Defence Line of Amsterdam World Heritage Site, and several churches. The organization now works in neighboring cities and towns, including Weesp, Landsmeer, Diemen, Zaandam, and Haarlem.

Risk can also be addressed by ensuring stakeholder engagement to secure public support for PPPs that involve government-owned assets in historic urban areas. Third sector entities can help secure local participation. Building in mechanisms for community consultation and involvement early in the PPP process will lower the risk of controversy, reduce the risk of delay, and benefit the project in many ways. Open communication by government, starting early in the process, can prevent conflict and forestall public outcry. Through early stakeholder consultations, PPP proposals can identify expectations and manage their fulfillment throughout the process. Processes that facilitate community engagement need to be designed to meet the community's needs, to be well articulated, to promote a shared understanding of the roles of the participants, and to identify opportunities for when and how participants will be engaged. For example, when dealing with traditional and indigenous communities, cultural sensitivity is vital, and partnerships compatible with cultural needs should be designed.

Case study 9 illustrates a process in which early and ongoing stakeholder engagement captured expectations for public access, which drove the design process and catalyzed innovative opportunities for the site to operate both commercially and as an educational resource for its users and the public.

CASE STUDY 9

Sydney Harbour YHA and the Big Dig Archaeology Education Centre, Sydney, Australia

Description “The Big Dig,” located in the Rocks, Sydney’s earliest urban area, is Australia’s largest urban archaeological site. During archaeological excavations in 1994, over three-quarter of a million artifacts and the remains of more than thirty houses, shops, and hotels were uncovered (fig. 21). This rich material culture, when analyzed together with detailed historical records, provides tangible evidence of the lives of the people who lived in the Rocks between 1795 and 1914, challenging conventional



FIGURE 21
The Big Dig site, Sydney, prior to redevelopment.
Photo: Courtesy of YHA Ltd.

(Continued)

Description interpretations of Australian history and redefining historical thinking about Australia’s convict past. Now considered to be one of the most important colonial archaeological sites in Australia, it is listed on the New South Wales State Heritage Register. Following the archaeological investigation, in 2005 the Sydney Harbour Foreshore Authority (SHFA) called for public tenders for development of the site. In 2006, the proposal from Sydney Harbour YHA of YHA Ltd. (youth hostels in Australia) and the Big Dig Archaeology Education Centre was awarded the contract. Construction commenced in late 2008 and was completed in late 2009.

Project structure including governance The project is a collaboration between SHFA and YHA Ltd., a not-for-profit membership-based organization. YHA entered into a ninety-nine-year lease with SHFA for the site, with archaeology under the joint management of both parties. YHA Ltd. operates Sydney Harbour YHA as one of its network of hostels across Australia (fig. 22). SHFA oversaw the project governance and coordinated across other planning and heritage agencies, both of had regulatory roles owing to the site’s listing on the State Heritage Register and to other state plans affecting the site.



FIGURE 22 Sydney Harbour YHA youth hostel at the Big Dig site. The building facade interprets the scale and openings of the original terrace houses. Photo: Courtesy of YHA Ltd.

Partners	Public	Private	Third sector
	<ul style="list-style-type: none"> – Sydney Harbour Foreshore Authority (SHFA), a division of the NSW Department of Planning 	<ul style="list-style-type: none"> – YHA Ltd.—owner and developer 	
	<p><i>Roles & responsibilities</i></p> <ul style="list-style-type: none"> – Landowner, owner of archaeological remnants and artifacts, owner of heritage buildings in the surrounding area; planning authority and project guidance; provided subsidized lease 	<p><i>Roles & responsibilities</i></p> <ul style="list-style-type: none"> – Conservation, design, financing, construction, and operation 	

(Continued)

Sources of funding & financing structure

The US\$28 million project was financed by YHA Ltd. (approximately \$7.8 million), by a hostel development loan from YHA Australia (\$1 million), and a loan from Westpac Banking Corp. (\$19.2 million).

A proportion of the tariff paid by each overnight guest is allocated to a fund to provide for the ongoing conservation, interpretation, and management of the archaeological remains.

Project summary

Approach, conservation issues, rationale for PPP

The Project: The project combines affordable tourist accommodation with an on-site education center, while conserving a significant archaeological site in situ. The aims were to achieve these objectives with minimal impact on the archaeology and to increase public accessibility. A variety of engaging heritage interpretation methods and educational programs about Sydney's early history is offered. The archaeology education center provides classroom space for seventy-two students, as well as a simulated dig (fig. 23). Much of the site is freely accessible to the public.

FIGURE 23

The Big Dig Archaeology Education Centre.
Photo: Courtesy of YHA Ltd.



Challenges: Designing and constructing a new building on a sensitive archaeological site posed many challenges. A substantial planning period (about three years) preceded the twelve-month construction period.

A lightweight, steel-framed building hovers above the remains, allowing visual access to over 85 percent of the site at the ground level. A steel truss system raises the building off the ground on a series of pillars, minimizing points of contact with the ground and interference with the remains.

Why PPP? The agency currently known as SHFA has owned and managed “The Rocks” (the colonial heart of Sydney) since 1970. The state government encourages private investment and commercial activity in the area, while instituting rigorous heritage controls to ensure authenticity and best practice in heritage conservation. The size and breadth of this project necessitated private sector involvement, though retaining public and educational access to the site remained a key priority.

Sydney Harbour YHA continues to work in partnership with SHFA through its educational arm, Sydney Learning Adventures (SLA). YHA operates the Big Dig Archaeology Education Centre, while the archaeology conservation, interpretation, and education sinking fund maintains the archaeological site and supports the ongoing development of the education programs, which are delivered by SLA.

(Continued)

**Project
summary***Project outcomes*

Sydney Harbour YHA and the Big Dig Archaeology Education Centre have established a new benchmark for the conservation and interpretation of significant archaeological evidence as part of an innovative and sustainable new development. The project has won twenty-two awards, including a UNESCO Asia-Pacific Awards for Cultural Heritage Conservation, Jury Commendation for Innovation, 2011. Since its opening, the 354-bed youth hostel has been a resounding success with both domestic and international guests. Most important, the development has returned access to the site to the local community, introduced Sydney's heritage to a broad range of travelers (including young international visitors), and provided a valuable opportunity for school students to explore Sydney's heritage through a hands-on, immersive experience. The project has also ensured the ongoing appreciation and conservation of the site through its sinking fund.¹

1. Sources include: Grace Karskens, *Inside the Rocks: The Archaeology of a Neighbourhood* (Sydney: Hale and Iremonger, 1999); Godden Mackay Logan, *The Rocks DIG Site: Interpretation Plan—Phase I: Strategic Overview*, prepared for YHA NSW (Redfern, Australia: Godden Mackay Logan, 2007), www.planning.nsw.gov.au/asp/pdf/06_0265_therocksyha_interpretation_plan_pt1.pdf (accessed 18 Feb. 2014); Samir S. Patel, "Australia's Shackled Pioneers," *Archaeology* 64, no. 4 (2011), 43.

CHAPTER 11

Measures for Success

The cultural heritage conservation sector has performed poorly in identifying indicators for success and undertaking regular monitoring of projects against these indicators, although there have been efforts over the last ten years to address this issue, particularly in the United Kingdom. Of course, measuring the value of conservation is difficult, as there are few established and authoritative standards in use. For third sector organizations whose goal is conservation, projects with outcomes that financially safeguard the building as well as conserve it in accordance with identified conservation standards are considered a success. For third sector organizations engaged in urban regeneration, other social indicators, such as those related to quality of life and other social issues identified at the project's outset, are important. This review does not cover the literature on the value of heritage and on valuation methods for assessing the impact of heritage conservation.

For the private sector, profit and triple bottom line benefits are usually motivators for their initial involvement. Public sector metrics will include a wider range of indicators encompassing economic, social, environmental, and cultural values. Reducing the financial outlay by the public sector to deliver the service will also be an indicator of success for the public sector.

Fox, Brakarz, and Alejandro Cruz identify the following indicators to measure the success of tripartite partnerships in urban revitalization:

Public sector indicators:

- increase in revenue through property, income, and payroll tax
- reduced maintenance costs
- reduced or eliminated service delivery costs

Private sector indicators:

- increased sales
- investment opportunities
- higher property values
- improved business climate due to better public safety, public services and accessibility, and reduced levels of pollution

Third sector indicators:

- higher property values
- lower unemployment
- higher salaries and wages
- improved quality of life due to better public safety and public services, reduced levels of pollution, expanded parks and recreation facilities
- enhanced sense of place and improved quality of the urban and built environment⁶⁰

These indicators are clearly useful for identifying economic success and quality of life, but they do not include specific conservation measures. Simple assessments of results—such as the number of historic buildings that are conserved, that are appropriately reused, and that meet defined maintenance standards—can serve as indicators for meeting conservation goals. Rising property values are a measure of economic success, but in instances where this increase drives out traditional residents or renders uses that contribute to heritage significance unviable, they can be an indicator of failure, in conservation terms. Identifying goals and indicators for success at the outset of the project is, therefore, important and can assist in clarifying the objectives and the roles and responsibilities of the partners.

English Heritage has undertaken work to develop methods for assessing the success of heritage projects. The Heritage Dividend Methodology and accompanying reports were developed to evaluate the impact of grants by English Heritage to urban regeneration projects. The Heritage Dividend Methodology provides an evaluation framework and comments on its application. Pro formas for projects of different sizes are provided that attempt to capture other measures likely to be of interest in regeneration projects generally, but they could also be useful for evaluating PPP projects involving heritage sites.

The assessment covers the following areas:

- physical outputs, such as number of buildings improved, listed buildings improved
- economic outputs, such as number of jobs and businesses created, partnerships created, property prices, number of visitors, revenue generated
- social outputs, such as community engagement, health benefits, improvements to local services, safety, impact on levels of deprivation
- environmental benefits, such as amount of public space improved, water quality, air quality, habitat improvement, impact on greenhouse gas emissions
- perceptions of heritage⁶¹

The English Heritage evaluation method is related to recent central government policy and evaluation methodologies. The Heritage Dividend Methodology may provide a useful basis for assessing the success of PPPs for heritage projects, but it may need to be targeted to specific outcomes defined for each project. Other evaluations for heritage and social enterprises may prove to be useful guides for developing indicators for success. These have not been researched further here.

PART IV

Conclusions

CHAPTER 12

Observations

Many governments, as we have seen, have successfully fulfilled their responsibilities as the primary caretaker and financier of heritage buildings and their conservation by turning to the private sector through PPPs. However, these partnerships have yet to be widely applied to the heritage field in a way that exploits their potential but fully takes into account the risks.

In the case of historic urban areas, the involvement of the private and third sectors is vital. In addition to cohesive planning and heritage policies and legislation, integrated financing policy is required to secure sustainable solutions. Locating heritage conservation, therefore, within wider regeneration efforts is now the recognized approach to ensuring conservation of heritage assets. PPPs can play an important role within regeneration schemes in a number of ways, including for specific conservation components.

For those governments that possess the experience, legal framework, and marketplace climates to facilitate their implementation and governance, PPPs have potential applicability in historic areas and sites. Some countries, such as the Netherlands, the United Kingdom, Australia, and the United States, have proven successful in implementing such projects. However, in countries lacking the necessary expertise, PPPs may not be the best alternative. Balancing risk and responsibility is an integral element of PPPs, so it is crucial that governments first develop the policy framework and marketplace incentives needed to attract private investment and ensure adequate public governance to secure the conservation outcomes. When these mechanisms are in place, PPPs present significant opportunities to facilitate the provision of public goods and services, particularly in developing countries where government financing for public services is often extremely limited and urban public services are in high demand. In these countries, well-supported PPPs offer a vehicle for private parties to provide much-needed financing, skills, and innovation to upgrade culturally significant slum or low-income downtown housing stock that often results from historic patterns of city migration. If supported by the combination of an able government and a strong NGO presence, such projects would have the dual effect of buoying emerging market economies and providing public goods and services. Partnerships are a means of sharing resources, risks and rewards including social benefits. PPPs can be a highly effective mechanism or basis for successful partnerships with shared aims.

As noted above, a number of multilateral and regional development banks have recognized the role of heritage conservation in economic and social development and have supported projects specifically including conservation measures. These organizations have also initiated research and developed their own guidance on financial mechanisms, including PPPs, for heritage. The World Bank and the Inter-American Development Bank have case studies and their own guidance documents relating to projects for which they have provided financial and/or technical support

and capacity building for public sector agencies, catalyzing conservation through the private sector or specific PPP initiatives.⁶² This information could be of considerable use to the third sector and would benefit from being packaged and presented in a more direct way in order to reach a wide audience. Additional information flowing from the development bank experiences on PPPs used would also be very helpful.

Within the heritage field, widespread consideration of PPPs has been hampered by lack of clarity about what they can deliver and the mechanisms for delivery. A precise and transparent definition of heritage-applicable typologies in particular is thus necessary to make these tools approachable to both public and private parties. PPPs for conservation are also disadvantaged by a long-standing mistrust between the private and public sectors and by fears that private involvement can equate to privatization.

Consequently, few PPPs for conservation projects have been undertaken. Those that have been executed have been primarily large-scale regeneration developments or single-building adaptive reuse projects during which conservation has played a significant, though sometimes secondary, role. The few PPPs addressing heritage assets have shown that these unique and often complex partnerships can be effective vehicles for increasing private sector investment. Early problems with PPPs in other sectors have given rise to improved contractual arrangements and guidance on PPPs, their structure, and management. There is also recognition that PPPs do not necessarily absolve the public sector completely from financial commitment or provide cheaper solutions. Yet because PPPs formalize multisectoral involvement, they can formalize shared responsibility for heritage resources across all the sectors that engage, enjoy, and use the resources.

PPPs for heritage buildings possess conservation potential that has yet to be fully understood and harnessed. As this new field develops, countries involved in pioneering PPPs for conservation will continue to contribute to our knowledge while defining best practices. Much work remains to be done, but by combining public sector assets and financial incentives with private sector funding, skills, and efficiency, PPPs may prove to be a key tool in future conservation practice.

Areas of Potential Further Research

There is a clear need for more information on the use of PPPs for cultural heritage places. Examples and case studies of the variety of PPP types and how they have been utilized, the mechanisms used, the pros and cons, the pitfalls, and examples of how conservation needs were safeguarded and met would assist the heritage sector in developing this area. Additionally, while information about PPP use in certain countries (the Netherlands, for example) would be a useful contribution to the field, there is limited English-language literature available.

Examples of PPPs to deliver conservation outcomes beyond the scope of regeneration or single-building adaptive reuse projects are less well documented, yet they would be especially valuable in demonstrating the opportunities in a wide range of conservation-related activities—maintenance, interpretation, and stewardship. Thus, research that identifies the full range of ways in which PPPs are being used across the conservation sector would be a very useful addition to the literature.

Moreover, specific information targeted to the third sector would be helpful to kick-start initiatives in areas where familiarity with this approach is lacking. The examples of Monumentenwatch and Stadsherstel show the creative ways PPPs have been used in the Netherlands to offer a wide range of conservation solutions. Research may identify further sources of information on other examples from Europe. Capturing case study information would also be helpful. Research that examines partnerships between the private and third sectors would be of benefit, as this area is likely to expand as the public sector's funding for heritage declines. There are also opportunities to look at other forms of partnerships, beyond the PPP model, to see how the various sectors may work toward the delivery of a common goal.

A distinction can be made between heritage PPPs that focus on single buildings and those that involve multiple buildings. Both types of PPPs are often created in areas in need of urban revitalization. However, multiple-building PPPs, particularly those that encompass many neighborhood blocks and large areas of land, are often focused on urban revitalization rather than on conservation. As a result, the projects are intrinsically much more complicated than single-building projects and often engage several different partners from the public, private, and third sectors (NGOs, for example).

These large heritage PPPs also usually involve complex—and potentially controversial—social and economic issues, such as gentrification, displacement, and accessibility. They are also inherently long-term endeavors, occurring in phases and over a number of years. Because of their complexity, the majority of large urban regeneration PPPs involving heritage assets have taken place in countries that have developed the governance and market structures to implement such partnerships, such as Australia, New Zealand, the United Kingdom, and the

Netherlands. Better framing and differentiation of the aims, needs, and mechanisms of PPPs for these two different scales of operation would also be useful.

PPPs for heritage conservation work best in well-defined and flexible regulatory environments where there are transparent and democratic governance systems in place. Further research that examines institutional arrangements that foster PPPs suited to countries with less-developed regulatory frameworks would therefore be useful. Rojas has suggested detailed study of the ways in which institutional arrangements such as the French contract plan and the Spanish mixed capital model could be adapted and transferred to developing countries with code-based legal traditions and weak local governance.⁶³

As already discussed, the experiences of development banks in building capacity in the developing world are extremely useful. While the literature from their case studies and publications does discuss the role of PPPs, more detailed information on the structure and impact of PPPs would be helpful. As noted above, the guidance these banks provide and the criteria they use to govern their own decisions about supplying funding could be very valuable if repackaged as generic guidance for the field. Research that examines the various initiatives undertaken and an assessment of their successes and failures would also be welcome.

Given that PPPs have been utilized in the natural heritage area, further research that identifies when, where, and how would be useful. Identifying potential overlaps between natural and cultural heritage PPPs and considering what elements would be applicable to cultural heritage projects would also be a further step in this research.

And finally, in order to address both the widespread misunderstandings regarding the nature of PPPs and the general concerns conservationists have about entering into such agreements, an approachable and user-friendly report or guide on PPPs would be of great benefit. Many private, public, and third sector organizations encourage the use of PPPs to achieve conservation outcomes, but in the absence of a firm grasp of their conceptual and practical aspects, such encouragement results in, at best, a misinformed audience and, at worst, an ill-advised agreement. Guidance on the pros and cons of using PPPs, delineation of governance conditions required for PPPs to be successful, and information on which models of PPPs to use for specific local conditions would all assist those wanting to explore the potential of PPPs for their particular circumstances. The creation of such a report or guide can be seen more as an educational effort than as a research opportunity—yet it would be a contribution that, by gathering and condensing current and further research, could have a profound impact on the conservation field.

Notes

1. Catherine J. Fox, José Brakarz, and Fano Alejandro Cruz, *Tripartite Partnerships: Recognizing the Third Sector: Five Case Studies of Urban Revitalization in Latin America* (Washington, DC: Inter-American Development Bank, 2005), 8.
2. See, for example, Global Heritage Fund, *Saving Our Vanishing Heritage: Safeguarding Endangered Cultural Heritage Sites in the Developing World* (Palo Alto, CA: Global Heritage Fund, 2010). This report includes six recommendations for improving the conservation of cultural heritage sites, including recommendation 6: Increase public-private partnerships (p. 54).
3. UN-Habitat, “Istanbul Declaration on Human Settlements,” in *Report of the United Nations Conference on Human Settlements (Habitat II), Istanbul, 3–14 June 1996*, A/CONF.165/14, 7-19, www.unhabitat.org/downloads/docs/2072_61331_ist-dec.pdf (accessed 18 Feb. 2014).
4. English Heritage has produced a body of work recently on these subjects; it can be accessed on the “Historic Environment Local Management” website, www.helm.org.uk/ (accessed 18 Feb. 2014).
5. Eduardo Rojas, *Old Cities, New Assets: Preserving Latin America’s Urban Heritage* (Washington, DC: Inter-American Development Bank, 1999), 30–31.
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Caroline Cheong became director of research for Heritage Strategies International in 2010. She received an MS in historic preservation from the University of Pennsylvania, where her studies focused on management, planning, and sustainable tourism for historic sites. As a 2007 US/ICOMOS International Exchange Intern, Cheong worked on the rehabilitation of a historic convent, which was transformed into a community center, in Al Houson, Jordan. She was a 2008–09 Graduate Intern at the GCI, where her work focused on evaluating the challenges and opportunities facing historic cities and urban settlements. Cheong is currently a PhD candidate in city and regional planning at the University of Pennsylvania, where her research focuses on the relationship among urban heritage conservation, poverty reduction, and population displacement.



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