



FORWARD TOGETHER

November 13–14, 2018

San Francisco

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Proceedings of the 2018 US/ICOMOS Symposium

Forward Together: A Culture-Nature Journey Towards More Effective Conservation in a Changing World

November 13-14, 2018

The Presidio

San Francisco, California

This symposium was convened to share insights on how understanding culture-nature interlinkages on many landscapes and waterscapes can shape more effective and sustainable conservation.

Papers in the Proceedings are based on presentations at the symposium. The symposium Program and Proceedings are available at <https://www.usicomos.org/symposium-2018/>.

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2018 US/ICOMOS Symposium

Forward Together: A Culture-Nature Journey Towards More Effective Conservation in a Changing World
13-14 November 2018, The Presidio, San Francisco, California

**A Cultural Heritage Investment Fund as a Strategy for Conserving our
Cultural and Natural Legacies**

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Abstract

The man-made world is undergoing dramatic transformations in the 21st century through globalization and the migration of rural populations to urban areas. All our cities, towns and human settlements will be impacted by this change. Despite the acknowledgement of the issue and the mandate to conserve cultural and natural heritage as point 11.4 of the UN Sustainable Development Goals, governmental and philanthropic support have not been significant enough to implement a global conservation strategy on the scale needed. In order to be successful on a larger scale, heritage preservation must be coupled with planning and development to support overall community growth and the broad mission of sustainable development. A new funding vehicle now in formation, the Cultural Heritage Finance Alliance (CHiFA), will work globally to attract funds from lenders and investors, and re-invests that money in community revitalization with heritage as its centerpiece. This financing can catalyze the mutually reinforcing benefits that arise from the preservation of culturally significant built heritage and the goals of social inclusion, environmental conservation, and the creation of vibrant communities.

Keywords

investment, heritage, revolving fund, sustainable development, revitalization

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A Cultural Heritage Investment Fund as a Strategy for Conserving our Cultural and Natural Legacies

“Over the long term places with strong, distinctive identities are more likely to prosper than places without them. Each place must identify its strongest, most distinctive features and develop them or run the risk of becoming all things to all people and nothing special to any. Livability is not a middle-class luxury. It’s an economic imperative.”

Robert Merton Solow, Nobel Prize laureate

In the heritage preservation field, we are all aware today that heritage places generate positive economic outputs. There have been vivid demonstrations that heritage vitalizes the places that people cherish. It brings communities together to express common values and a vision of the place where they live. It provides jobs, creates new livelihoods, makes places more welcoming and appealing for visitors and attracts creative culture. The multiple values associated with heritage – tangible and intangible, including use value – have been identified. A large body of analysis is dedicated to quantifying the multiple values of heritage.

However, from the perspective of financing, heritage is generally not part of large-scale plans to achieve sustainability through the creation of “circular” economies. A white paper prepared by the World Economic Forum Future of Urban Development and Services Initiative and presented at the World Economic Forum in 2018 makes no reference to safeguarding cultural or natural heritage as part of a “cradle to cradle” strategy. With increasing demands on public funding to address the growing impacts of climate change, population growth and demographic shifts, it is no surprise that public financing for heritage is diminishing. Philanthropic support for a cause that has been viewed as a luxury remains inadequate to meet a growing need to protect cultural sites and traditions, as well as their natural contexts. These sites are disappearing at an alarming rate, especially in the developing world.

Recognizing this, the United Nations 2030 *Sustainable Development Goals* call for strengthened efforts to protect and safeguard the world's heritage. This signals a focus on integrated planning or the future of the world's cultural resources. The outcome of investments in heritage resources will positively impact a range of sustainable development goals including job creation, innovation, consumption, and environment conservation. However, local capacity is still lacking, and planning strategies still fail to integrate heritage assets into economic planning goals.

Heritage financing – especially for iconic sites such as those on the World Heritage list – tends to be a stand-alone exercise. Governments have stewardship and financing responsibilities. Tiers of governmental agencies – national, regional, local – set priorities and budgets. They may be joined by philanthropic sources – donors and sponsors -- that can act as catalysts to create a priority and to leverage government support. World Monuments Fund has for many years used this formula successfully, offering challenge funding with the expectation of a two- or three-to-one leverage. In the last 20 years, through its Wilson challenge and through the American Express support of World Monuments Watch, WMF has been able to achieve impressive leverage results, raising hundreds of million dollars for hundreds of heritage sites worldwide.



Figure 1. The traditional heritage finance model leverages public funding to carry out conservation work on a one-time basis. Measuring the impact of this financing is rarely part of the process.

However, the philanthropic horizon is changing, and the next generation of donors is far more interested in the impact it can gain through philanthropy. Many of us working in this field have realized that a new model is needed, not to replace but to complement these existing funding sources.

Today most communities value their heritage as an economic generator as well as a social anchor that reinforces identity, contributes to community wellbeing, and makes a given environment more attractive and competitive as a place to live. They realize that heritage sites generate knowledge, social opportunities, vibrant creative cultures, and positive environmental investments associated with recreation, visitation and enjoyment. All of these activities and outputs, or externalities, are economic generators. The challenge has been to capture the resources generated through the process of safeguarding heritage in order to make it sustainable.

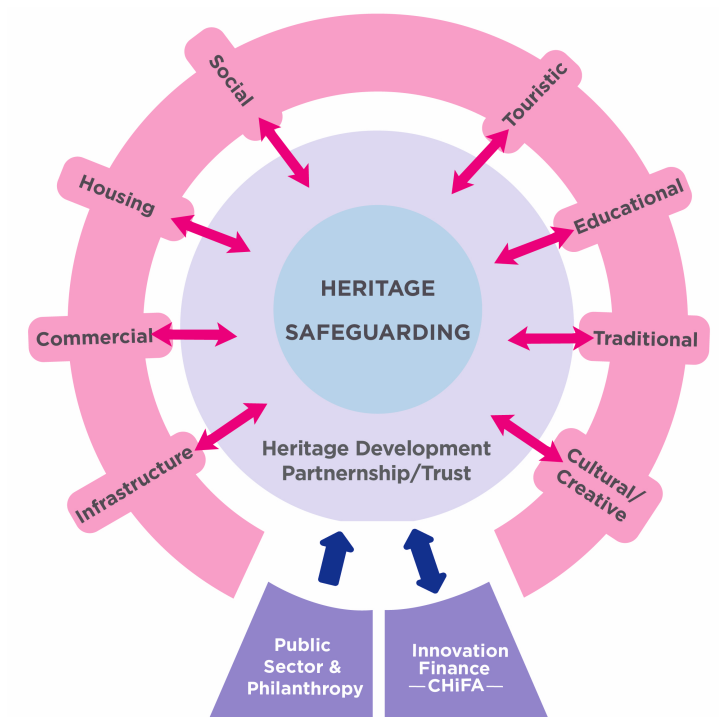


Figure 2. Heritage sites are generally owned and managed by government agencies. Often, they do not benefit from the activities they generate. These activities benefits accrue to upstream or downstream users. To capture some of the revenue from these activities would support the long-term sustainability of these sites.

A strategy to create sustainability for heritage would focus on how to internalize these externalities, and develop a framework around heritage properties, areas, and districts that helps to create financial sustainability. By looking at other sectors we see many examples of mechanisms, which create long-term or permanent revenue streams, that are not used effectively or extensively in our field, such as bonds, micro-transactions, and tax levies. What we do have in our field, however, as an effective non-philanthropic catalyst, is revolving and investment funds. Would there be a way to combine all these strategies into a framework that creates sustainability for heritage conservation as an act of long-term safeguarding? This was the question at the heart of my inquiry.

The Cultural Heritage Investment Alliance

This paper describes the creation of an international financing vehicle to develop heritage buildings, districts, areas and cities as sustainable ecosystems to support present and future communities. The Cultural Heritage Finance Alliance (CHiFA), a new organization now in formation, seeks to invest in historic assets to generate economic and social benefits for communities worldwide. It is in formation as a US-based non-profit organization, led by an experienced team of specialists in architecture and planning, cultural affairs, finance and heritage conservation. Initial capitalization and project mobilization are underway. Once capitalized, CHiFA will establish subsidiary operating companies as needed to implement projects around the globe.

A feasibility study – financed by the Getty Conservation Institute and conducted by Forsyth Street, a New York City-based financial advisory firm with significant experience in establishing impact investment vehicles – identified many viable models for an organization that functions as a self-sustaining entity that can offer a return on investment to institutional and impact investors. Numerous local loan and investment funds currently exist in the heritage space. These precedents demonstrate that lending to and investing in cultural heritage sites is a viable activity that catalyzes and accelerates conservation projects and sustainable development in a variety of geographies. However, no organization has the capacity or ambition to act on a global scale.

With initial capitalization of \$60 million, including \$20 million in grants for pre-development planning, CHiFA will embark on a 10-year “blueprint” phase of operations. Its capital will be invested in approximately 40 high-impact projects, which will be completed during the blueprint phase. Under conservative assumptions, CHiFA’s finance fund could repay investors their \$40 million of principal at the end of ten years while making current interest payments in the range of 2-3%, a return that has proved acceptable for social impact investment.

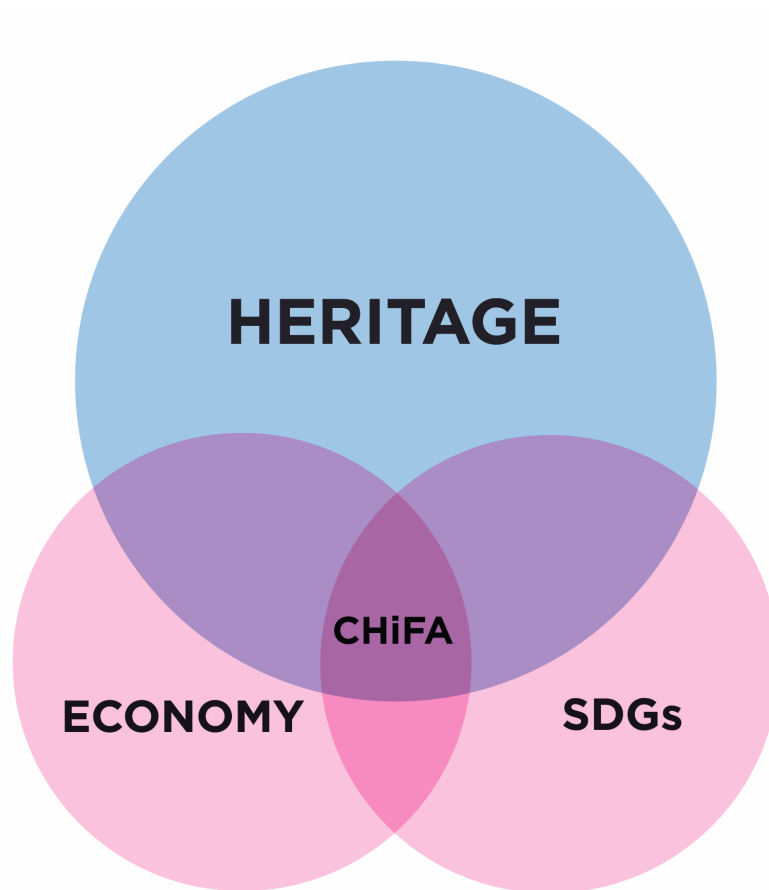


Figure 3. The intersection between heritage, economy and sustainable development identifies the area of CHiFA's activity.

Financial products

Four financial products will be offered during the initial phase of CHIA operations:

Bridge Loans: A loan to provide cash flow and accelerate activity in anticipation of pre-committed take-out by a public and/or philanthropic source. These types of investments are good matches for typical grant-funded cultural heritage restoration projects focused on individual buildings of high significance. The principal impact is the public cultural use and enjoyment of a resource that has previously been neglected. Bridge loans can also be used to address emergency situations in the aftermath of a catastrophe, to prevent further deterioration while public funding commitments are consolidated.

Term Loans: A term or “semi-permanent” (3- to 10-year repayment period) self-amortizing loan that enables development and rehabilitation projects to move forward. CHiFA will be one of the few lenders in this space, making it a highly differentiated and sought-after product.

- **Pre-Development Financing:** A single or multi-phase commitment to a sponsor/partner organization to plan for work and prepare for implementation. These may be structured as a “recoverable grant” type of investment, in which the loan is essentially a convertible note with no restriction on expiration or liquidation. This financing will be coupled with technical assistance to bring projects to a point where they can be eligible for term loan financing, and will be intended to attract other financial partners.
- **Country-Dedicated Loan Facilities:** A flexible facility intended to serve multiple projects in a single geography. This could be a single debt facility that is drawn on by a project sponsor for multiple projects, or a fund that has multiple users. This vehicle would potentially address capital control and legal infrastructure issues in emerging markets.
- **Other Financial Models:** There are other ways in which innovative financing can be introduced into this marketplace, including crowd funding, social impact bonds issued by municipalities, and direct equity investment. These categories of funding are compatible with the debt financing proposed above, and may be added to CHiFA’s financing offerings in the future.

Project Selection

All projects financed by CHiFA will adhere to the following principles:

- Empowerment of a local partner
- Establishment of a framework to manage the cultural asset sustainably, supported by appropriate plans and regulations for future protection of the sites and their surrounding contexts
- Physical conservation plans will be associated with social and cultural revitalization.

Potential projects will be reviewed in relation to the criteria of rigorous financial performance; historical and cultural significance; integrity and authenticity; urgency of the situation; the project's contribution to revitalizing and enhancing an historic environment; and the project's contribution to sustainable development. CHiFA's reporting mechanisms will track impacts achieved by the Fund's investments, incorporating and adapting as necessary the Global Impact Investment Network's Impact Reporting & Investment Standards (IRIS), a widely-accepted source for impact reporting metrics, into its reporting.

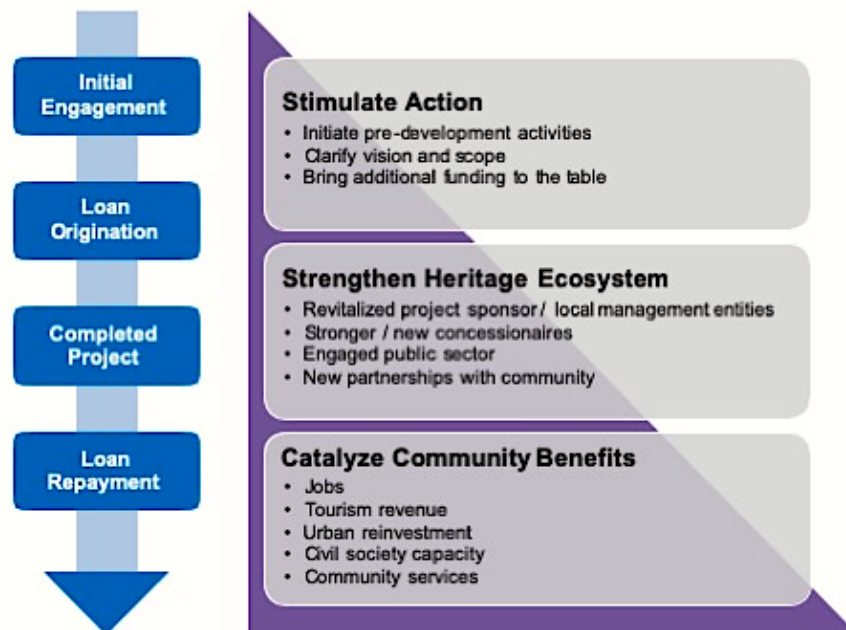


Figure 4. Theory of Change. A catalytic loan will build an expanding pyramid of local empowerment, capacity, and engagement.

Risks and Obstacles to Realizing an Integrated Circular Heritage Strategy

The key risks associated with this initiative relate to working in an international environment, with multiple partners operating in different currencies and economic situations.

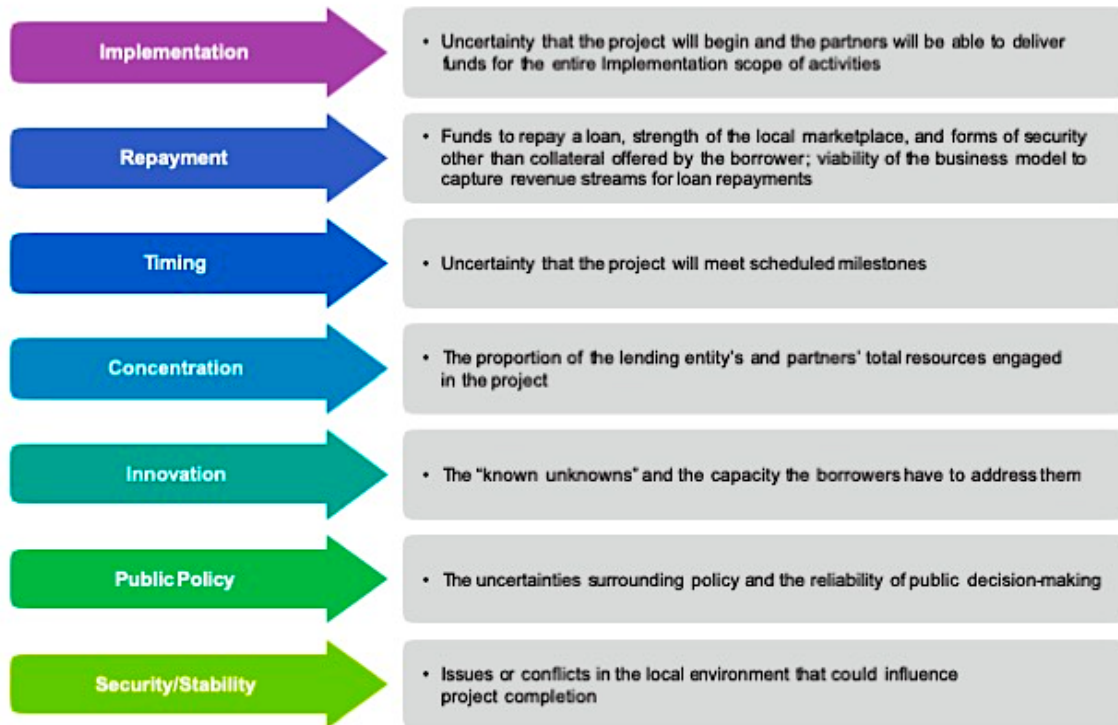


Figure 5. Risk analysis of investing in heritage revitalization.

These risks can be mitigated through careful project selection including rigorous financial performance criteria. In addition, a loss reserve fund will be established at the time of each loan origination, representing 25% of each project budget, to offset losses that may be unavoidable for an organization working internationally.

For this opportunity to be realized, a range of issues need to be overcome which are presently an impediment to realizing a vision of circularity and a financial strategy that internalizes the external outputs of development:

- **Institutional:** A linear mindset and lack of integration between cultural authorities and other public agencies; complicated regulatory structures; and few examples of integrated public action that has been successful.
- **Financial:** High transaction costs and long development timetables that require a long-term commitment without solid guarantees of return on investment; the need for upfront financing, countered by a range of risks; the lack of metrics to demonstrate financial viability.
- **Social:** A lack of awareness or sense of urgency that heritage is facing risks; resistance to change; the exclusion of heritage revitalization from most cities' circular planning strategies.
- **Technical:** A lack of integration between heritage and environmental conservation goals; a lack of information exchange; few metrics to measure the circularity and benign environmental impacts of heritage conservation.
- **Commercial.** Lack of experience in and legal framework for public entities to engage the private sector in a range of partnerships to support conservation, whether through subsidies, licensing, concessions or other means.

These obstacles can be overcome by the creation of a marketplace to bring together diverse actors to integrate their activities, achieve powerful impacts, and broadcast these examples through professional networks to a wider audience. To achieve this will require institutional, market, and community cooperation, and leadership by a catalytic entity. The Cultural Heritage Finance Alliance aspires to provide that marketplace.

Case Studies

Below are examples of how heritage projects with an integrated vision could be orchestrated through a collaboration between government agencies, municipalities, investors, concessionaires, and property owners, catalyzed with innovation financing and orchestrated by an independent project agency that ensured the internalization of revenues adequate to achieve sustainability.

Agra, India. In December 2017 the World Bank and the State of Uttar Pradesh signed an agreement for a \$40 million loan, with a 19-year maturity and a \$57 million overall cost. Per the World Bank website, “The development objective of the Uttar Pradesh Pro-Poor Tourism Development Project for India is to increase tourism-related benefits for local communities in targeted destinations.... In Agra, the project Agra Beyond the Taj Mahal will focus on retelling the story and history of the city, its more than 150 sites and monuments and its rich living heritage by stimulating “Agra beyond the Taj”— a move away from a Taj Mahal-centric tourism model — to retain visitors and increase their spending in the city. It targets the locations that are already seeing notable tourist footfall, bridging its major attractions, which are today visited in isolation, such as the Taj Mahal and the Agra Fort, while promoting nearby lesser visited attractions, such as the traditional Kachhpura village in front of Mehtab Bagh’s Mughal garden.

To ensure a destination-level approach, the project will finance the preparation of a tourism development plan for Agra, leverage and partner with the private sector, as well as other key agencies working in the city, such as the World Monuments Fund, which is supporting the Archaeological Survey of India in revitalizing two of the city’s four remaining Mughal gardens.

In addition to providing support for the planning and implementation of conservation work, in cooperation with the Archaeological Survey of India, World Monuments Fund (WMF) obtained the pro-bono expertise of the US architecture firm Skidmore, Owings & Merrill to develop a strategic plan for transportation and landscaping between the monuments, to provide a template for the restoration and improvement of the Shah Jehan Garden, and to provide sanitary amenities for the village of Kachhpura. This integrated planning will allow local procurement and implementation of projects that comply with international standards.

A seminar conducted by Harvard University in conjunction with WMF produced scenarios for the development of other former Mughal sites occupying 15 kilometers along the Yamuna River within the context of their contemporary community use, and a publication, *Extreme Urbanism*

III, Looking at Agra (Harvard University, 2015).

Rhodes, Greece. A series of earthquakes struck the island of Rhodes, Greece between 2014 and 2017, causing damage to the foundations of the fortifications of the World Heritage City, which are its most significant architectural feature, and to the adjacent seabed. A major restoration project is needed to prevent further erosion resulting from the changed tidal patterns.

In the current economic situation, the city and Greek state cannot provide the capital to undertake this work. The city has devised a plan to convert 100 buildings within the historic center into tourism facilities, leasing them over a period of 15 years to concessionaires, and using the funds raised to cover the cost of the fortification repairs. The project aims to bring high-quality, low impact tourism into the historic city, which has been increasingly abandoned by residents. There are opportunities for new cultural facilities, high-end tourism amenities, and the revival of craft traditions that have died out in recent years as Rhodes has become a destination for beach and cruise ship tourism. Planning for the historic center opens the opportunity for a circular city strategy that would help to revitalize the life of the city, draw permanent residents, and help bring about a recovery from decline that balances the uses of the city's heritage fabric and leverage the investment in restoration.

Tripoli, Lebanon. The Tripoli International Fairground, recently placed on the Lebanese Tentative List for World Heritage designation, is a 250 acre self-contained site between the important medieval historic center of the Silk Road town of Tripoli, on Lebanon's north coast, and the city's Aegean port of El-Mina. Commissioned in the 1960s and designed by the renowned Brazilian modernist architect Oscar Niemeyer with a vision to become a symbol of Lebanon as a progressive, modernizing country and site of a World's Fair, it was nearly completed when the 1976 eruption of civil war forced the project to be abandoned. Following the end of the war, the resources were never available to focus on the use of the fairground, and it has remained abandoned, although intact, since that time. Listed on the World Monuments Watch

in 2006, and periodically the focus of media attention, the Fairground is used today for occasional events, but fails to cover its own small maintenance budget. A major development initiative focused on the nearby port and tax-free zone has brought greater attention and interest to the Fairground, and the UNESCO office in Beirut is developing a strategy for conservation planning and management, and inclusion of the International Fairground on World Heritage Tentative List for Lebanon. This interest comes not a moment too soon, as years of deferred maintenance have resulted in a partial collapse of one of the site's 15 structures. An emergency assessment has produced the diagnosis that damage caused by neglect is widespread. Half the site is undeveloped, and could be developed for appropriate public use in a city that is densely inhabited. Each building has a potential to generate revenue, controlled under the Fairground Board. The original purpose of providing a place for presentation of goods, services, traditional arts and crafts, and Lebanese culture has the potential to be realized if pressure for development does not undermine this opportunity. The site has the potential for the full panoply of uses to be realized, creating a dynamic social, cultural, educational, community and touristic interplay.