

European Heads of Heritage Forum
The Role of Heritage Conservation in a Sustainable Economy
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Thank you for inviting me. I am both honored and humbled by the opportunity to be here today.

As you all know better than most, the world is in economic chaos. One of the outcomes of economic globalization is that there are no longer safe havens from international financial crises. Governments, working individually and together, have initiated an unparalleled array of responses to stem the economic decline.

The biggest danger is not that this very deep recession lasts another 18 or 24 or 36 months. The biggest danger is that we do not learn from this crisis and apply those lessons to future policies. Governments have two simultaneous challenges: 1) in the short term how to get the economy rolling again; and, 2) in the intermediate and long term, how to restructure our economies so that they become sustainable.

Heritage conservation has a central role in responding to both of those challenges.

Europeans generally understand the components of sustainable development: environmental responsibility, economic responsibility, and social/cultural responsibility.

We have known for some time that unless we make significant changes quickly, our environment is not sustainable. What we have learned in the last 180 days is that we have built our economy on foundations and assumptions that are also not sustainable.

To immediately stimulate economies it has been necessary to quickly appropriate public funds to stabilize credit markets and especially to put people back to work again. But even though those expenditures are necessary to have an immediate impact, they should be made in areas that are creating long term assets, not merely short term fixes. In France, in Hong Kong, and especially in Norway, as we'll hear later, that has been the case. Unfortunately in the United States it has not been.

Two months ago at an EU Parliament hearing I made somewhat of a distinction between the immediate counter-cyclical strategies, and longer term strategies to move us toward a sustainable economy. Since that time I've concluded that was a false choice. If we make the appropriate decisions to stimulate the economy now, they can support the transition to a sustainable economy. Conversely if we commit ourselves to strategies advancing a sustainable economy, it can have an immediate stimulus effect.

So I would like to offer to you today principles of sustainable economic development, and then suggest how heritage conservation advances each of those principles.

What would a sustainable economy look like? I would suggest it would have ten characteristics.

First, a sustainable economy would be based on using local assets.

Second, there would be widespread, measurable local benefits.

Third, sustainable economic development would depend primarily on the private sector, particularly small business.

Fourth, the components of a sustainable economy would be contributors in economic downturns as well as up cycles.

Fifth, a sustainable economy would participate in economic globalization but mitigate cultural globalization.

Sixth, sustainable economic development strategies would acknowledge quality of life as a major component of economic competitiveness.

Seventh, sustainable economic development strategies would be long term.

Eighth, sustainable economic development would not be a zero sum game where for one country to win another has to lose.

Ninth, a sustainable economy would advance the cause of environmental responsibility.

Finally, a sustainable economy would advance the cause of social/cultural responsibility.

Others might have a different list, but perhaps this is a starting point.

How does heritage conservation fit the criteria for a sustainable economy?

Start with local assets. Obviously, the historic buildings themselves are local assets, but it doesn't stop there. Heritage buildings are invariably where millions of Euros of infrastructure investment has already been made by previous generations. All too often that infrastructure is left unrepaired and underutilized as we substitute peripheral development for neighborhood reinvestment.

One of the great success stories for cities and for heritage conservation has been center city revitalization. In every European city I have visited that has experienced an economic rebirth of its core, heritage conservation was a key component of the success.

Widespread, measureable benefits – how does heritage conservation stand up there?

Consider the process of building rehabilitation itself. Heritage conservation is a labor intensive activity with 60 to 70 percent of the total expenditure on labor rather than materials. This has a significantly greater initial impact on a local economy than does new construction, but also much larger secondary impacts. Once installed, materials don't spend any more money. But the carpenter, plumber, and electrician each spend their paycheck locally on a haircut, groceries, and paying local taxes.

Those aren't just jobs. They are good, well-paying jobs, particularly for those without formal advanced education. They are not make-work jobs; they are real, productive jobs.

Heritage conservation strategies target the construction trades – one of the industries most affected by this recession. Simultaneously, there is a shortage of craftsmen in a variety of restoration skills. So job training, job creation, and a life time profession can be encompassed within the same strategy. In other words, immediate stimulus but generating a long term asset.

Next a sustainable economy is orientated toward the private sector, particularly small business. I am certainly not against public employment. In times like these we need to have public employment as part of our social safety net. But public employment is not a long term generator of economic growth; that comes from the private sector, particularly small business. 70% of the jobs and nearly 70% of the European GDP comes from small business.

The heritage industry itself is largely made up of small businesses – contractors, architects, conservationists, historians, consultants. Unlike building highways or skyscrapers where the bid winners are invariably giant, multi-national firms, on heritage projects the expertise is usually in small firms who spend their profits at home.

Next on my list of a sustainable economy is that its components would contribute in economic downturns as well as up cycles.

Heritage conservation fits this criteria in a couple of ways.

First, in economic downturns a variety of factors affect the ability to implement large scale plans. Financial constraints, political conflicts, and environmental concerns are all reasons that large projects are often delayed or shelved. Heritage conservation, however, can be done at virtually every scale, from the smallest shop building to massive revitalization of large urban areas. Smaller projects can proceed while larger ones are still on the drawing board, thus providing a measure of employment and income stability to a local economy.

Second, the recovery from this chaos is likely to be varied geographically, with some countries and regions returning to economic health sooner than others. Because heritage buildings are spread throughout Europe and are located in both the largest cities and the

smallest villages, a heritage-based strategy can be useful at any stage of the business cycle.

Third, regardless of whether a local economy is in an up or a down phase, emphasis should be directed toward projects that are catalytic to other economic activity and leverage public funds with private investment. One of the most impressive economic characteristics of heritage conservation is how the investment in one building tends to spur investment in nearby buildings. Further, many European countries have developed incentive programs through which public investment is matched two and three and four to one by private investment, effectively leveraging scarce public resources.

Next on my list was globalization.

What neither the supporters nor the critics of globalization understand is that there is not one globalization but two – economic globalization and cultural globalization. For those few who recognize the difference, there is an unchallenged assumption that the second is an inevitable outgrowth of the first.

I would suggest those are two different phenomenon, which while interrelated, are not inexorably linked.

While there are sometimes painful disruptions, on a composite basis economic globalization has far more advantages than disadvantages. But cultural globalization has few if any benefits but has significant adverse social and political consequences in the short term and negative economic consequences in the long term.

If cities are to succeed in the challenge of globalization, they will have to be competitive not only with other cities in their region, but worldwide. However, their success will be measured not just by their ability to foster economic globalization, but equally in their ability to mitigate cultural globalization. In both cases, a city's historic built environment can play a central role.

Globalization means change — change at a pace that can be disruptive politically, economically, socially, and psychologically. Adaptive reuse of the historic built environment can provide a touchstone, a sense of continuity that helps counteract the disruption which economic globalization tends to exacerbate.

Number six of the principles is that sustainable economic development strategies would recognize that quality of life is a major component of economic competitiveness and that knowledge workers in particular place a high value on quality of life criteria in their choice of where to live and work.

When we finally recover from this economic chaos, the European economy will resume a sizable shift in its economic base and the nature of doing business.

Much of the “product” produced by European workers is knowledge and information. And those commodities can be produced virtually anywhere and can be transported for nearly no cost. This means that more businesses and their employees will be locationally indifferent.

I don’t know the numbers in Europe, but today in America perhaps 20 percent of American businesses and a third of American workers can literally be located anywhere. How will that choice be made? On the quality of life the city provides.

What constitutes “quality of life”? There are many possible variables including good schools, public safety, the weather. But when the physical attributes of a place are measured, the historic built environment is a significant quality of life contributor.

Number seven on my list was that sustainable economic development strategies would be long term, not short term.

There are lots of causes of this economic chaos, but underlying them all has been the short term perspective of Wall Street, consumers, and politicians.

Real estate and real estate mortgages have traditionally and appropriately been long term assets. But too-smart-for-their-own-good MBAs in investment banking converted long term mortgage assets into short term trading vehicles ...looking for a profit in the next fifteen minutes, not the next fifteen years. Wall Street was far more concerned with the next quarterly dividend than the next quarter century. Politicians concerned more with the next election than the next generation.

You cannot have sustainable development without thinking long term. Our heritage buildings, almost by definition, are long term in perspective – how long they have lasted already and how long they can last into the future if we protect them.

Earlier I mentioned job creation through historic rehabilitation. But that argument is sometimes challenged saying “Yeah, but those are just short term jobs. Once you’ve built the building the job creation is done.” Yes, but there are two responses to that. First, real estate is a capital asset – like a drill press or a railroad car. It has an economic impact during construction, but a subsequent economic impact when it is in productive use. Additionally, since most building components have a life of between 25 and 40 years, a community could rehabilitate 2 to 3 percent of its building stock per year and have perpetual employment in the building trades. Local jobs which are in demand for the foreseeable future is the ultimate in sustainable economic development.

Eighth, sustainable economic development would not be a zero sum game where for one city to win another has to lose.

From a European perspective, economic development should not be a zero sum game. But that’s how most economic development in the past has been. For Barcelona to recruit an industry Bratislava had to lose it. When for every winner there has to be a loser is the

definition of a zero sum game. But from a European perspective, what's the sense of that? There is no net economic benefit, just a shifting from point A to point B.

But a heritage conservation based economic development strategy is not that way. For one community to effectively use its heritage resources in no way precludes another city from doing the same. To the extent that they both use heritage buildings, both are advancing sustainable economic development.

So far I've only focused on sustainable economic development. But sustainable economic development has to advance the cause of the environmental component of sustainable development. How does heritage conservation do that?

We could begin with solid waste disposal which is increasingly expensive in Euros and in environmental impacts.

Let me put this in context. We all diligently recycle our aluminum cans because we're told it's good for the environment. Here is a typical North America commercial building – 7.5 meters wide and 36 meters deep. Let's say that today we tear down one small building like this. We have now wiped out the entire environmental benefit from the last 1,344,000 aluminum cans that were recycled. We've not only wasted an historic building, we've wasted months of diligent recycling. And that calculation only considers the impact on the landfill, not any of the other sustainable development calculations like embodied energy.

Embodied energy is defined as the total expenditure of energy involved in the creation of the building and its constituent materials. When we throw away an historic building, we are simultaneously throwing away the embodied energy incorporated into that building. So we start with the energy embodied in the building then add the energy expended tearing it down and hauling it to the landfill. What have we wasted? Over 212,000 liters of gasoline.

Much of the “green building” movement focuses on the annual energy use of a building. But the energy embodied in the construction of a building is 15 to 30 times the annual energy use. A recent study from the United Kingdom found that it takes 35 to 50 years for an energy-efficient new home to recover the carbon expended in constructing it.

Razing historic buildings results in a triple hit on scarce resources. First, we throwing away thousands of Euros of embodied energy. Second, we are replacing it with materials vastly more consumptive of energy. Third, recurring embodied energy savings increase dramatically as a building life stretches over fifty years. You're a fool or a fraud if you claim to be an environmentally conscious builder and yet are throwing away historic buildings, and their components.

A heritage building is a renewable resource when it is rehabilitated; it is nothing but landfill when it is razed.

Earlier I mentioned the European Parliament hearing in March. One of the witnesses at the hearing was Dr. Edmundo Werna of the UN's International Labor Organization. He tied several of these principles together and encouraged heritage conservation because it "promotes small and medium enterprises, causes the drop of foreign exchange requirements by 50% to 60%, decreases overall cost by 10 to 30%, and reduces environmental impacts."

Finally sustainable economic development would advance the cause of the social/cultural component of sustainable development. My professional practice is in the economic side of heritage conservation. But I truly believe that of all of the values of heritage conservation in the long run the economic value is the least important. The educational, aesthetic, cultural, and social values are far more important.

Heritage conservation's role in helping us understand who we are, where we have been and where we are going is central to the social/cultural component of sustainable development.

Historic buildings are the physical manifestation of memory.

Now if we go back to the graphic representation of sustainable development I would suggest that heritage conservation is, in fact, the only strategy that is simultaneously environmental responsibility, economic responsibility, and social/cultural responsibility.

You cannot have sustainable development without a major role for heritage conservation, period.

The established definition of sustainable development is "...the ability to meet our own needs without prejudicing the ability of future generations to meet their own needs."

The loss of historic buildings is the polar opposite of sustainable development; once they are gone they cannot possibly be available to meet the needs of future generations.

These are not normal times. We have a crisis in the economy and we have a crisis in the environment. Heritage conservation is certainly not the only strategy for reestablishing economic, environmental or cultural responsibility. But in all three areas heritage conservation is the one indispensable strategy.

Thank you for the opportunity to appear here today.

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