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Old Buildings: An Economist's View

Victor S. Venida

One problematic aspect in economic analysis is the question of value. It has been noted that economists are supposed to know the price of everything and the value of nothing—a fair observation, in fact. This is because as a social science, economics will want to deal and analyze topics which can be measured or quantified. But many things are difficult to quantify, like value. Either one then just decides to ignore them, or to keep on estimating them no matter how absurd the results are. Sometimes one ends up simply stating that something is priceless. Fortunately some topics have had their values already subject to estimation, and one of them is the value of old buildings. This is pioneering work because it has had to adapt and borrow extensively from another subfield that developed, relatively recently, environmental analysis.

To discuss the valuation of old buildings and other cultural heritage sites, one can use the more comprehensive notions of value that have been developed by environmental economics (Serageldin 1999). Indeed, many conceptions of costs and benefits of environmental assets are analogous to those of cultural heritage. For one thing, a lot of the benefits do not enter standard market valuation and are in many ways intangible. A lot of heritage sites are moreover location-specific and depletable, much like a lot of environmental assets. One can only imagine prewar Intramuros or the Tang dynasty capital Chang'an as assets that have been depleted and are irretrievably lost to humanity, like many species of fauna and many dipterocarp forests. Finally, if humanity is part of the ecosystem and the renewal and the maintenance of the ecosystem is decisive in their survival as a specie, can one not say the same of the habitat that humanity itself has created, like the habitats that other species have developed for themselves?

In doing an economic analysis of cultural heritage, the preservation of old buildings in particular, and of historic districts in general, one would therefore begin with an analysis of their value and how this value can be translated to a price. This is crucial because it is this process that suggests how the conservation program can be made viable financially in the immediate future and in the long-run. It can identify activities that can prove profitable and those that will require some form of state subsidy—either national or local—and how this subsidy can then be recovered by tax revenues at some point in time. It is also a way of identifying precisely which aspects of their value are priceless and why.

The issue of financial viability is pertinent because conservation and preservation are activities that will always require some form of government subsidy or tax write-off. This will always be an imposition on government resources, especially local governments which have far less access to tax resources than the national government. It is therefore necessary to undertake the exercise to identify how the activity can yield some form of business enterprises that will yield tax revenue later on. This is the means to make governments, both local and national, interested in promoting conservation.

The first part of this article will therefore discuss the economic notions of value and their application to old buildings and the historic district (terms which will be used interchangeably). The next part will discuss the importance of identifying beneficiaries of conservation or preservation (also to be used interchangeably) and those to be adversely affected so that the latter need to be compensated directly or proffered viable alternatives as part of the conservation program. Then the analysis will move towards the economic opportunities that may be realized by conservation, and the economic forces that will pose a threat. This will include an analysis of tax policies that can be used to manage conservation effectively. Finally, a possible set of actions shall be recommended for consideration.

Value and Its Many Elements

Valuation of environmental assets usually compares use and non-use value (Serageldin 1999). Use-value is the most basic and apparent, that a good has value because it is useful however one defines usefulness. Use-value can be further subdivided into extractive or consump-

tion use-value and non-extractive use-value. These categorizations make valuation more manageable and systematic.

Extractive or consumption use-value refers to the use of goods that can be extracted directly from the locality. One obtains timber from forests, fishes from coral reefs, ores and minerals from mining sites, sand and gravel from quarry sites and the like. Similarly, old buildings provide space that may be used as residences, commercial establishments, business offices, art galleries and even institutional activities like government offices and schools. Examples include the newly renovated National Museum complex which used to be a complex of government buildings; the San Agustin church and cloister, still a place of worship but also a museum and profitable site for receptions and other social events; the well-preserved churches of Tanay, Paete, Morong, Taal and other old towns, still in use as places of worship, with the massive *convento* often used as parochial school; the renovated Fule residence in San Pablo that is now used as office for an insurance firm; the Gorordo house in Cebu, Quema and Syquia houses in Vigan, Nakpil-Bautista house in Quiapo and Agoncillo house in Taal, all now used as museums; and other *bahay na bato* still lived in by the owners, preeminently the Constantino house in Balagtas, Bulacan.

For forests, coral reefs, mine sites and quarries, their resources can be depleted through excessive extraction. Indeed, a lot of mountains have lost their forest cover, countless coral reefs are practically inhospitable for spawning, abandoned mine sites and quarries are often eyesores. In the case of old buildings, depletion can result from demolition for the space to be used for other purposes, or if the use of the buildings themselves destroy the nature of these structures or cause substantial neglect and defacement. One can imagine the old Quiapo and San Nicolas mansions being used as boarding houses with very little maintenance; or old Vigan houses being used as warehouses for toxic substances or even softdrinks; or countless old *bahay na bato* and church conventos neglected and slowly abandoned to the elements; or for that matter the old Nakpil-designed Quiapo church now completely remodelled with nary a trace of its formerly unique hammer-beam roof construction. The façade remains but who among many Filipinos would know what hammer-beam construction is unless they could travel and see Northern European Gothic churches? In fairness, Quiapo church is now certainly more comfortable as a place of worship; nonetheless, something real has been lost.

When the forest or green cover has been lost, there are instances when they could have a new and more profitable extractive use-value, as real estate development. One can think of large tracts of former forest in Antipolo, former wetlands in the Marikina Valley, forests in the hills in the immediate vicinity of Davao City center—all now residential and/or commercial real estate developments. The same has happened to many districts, which could have become historic but are now crass and chaotic, like large areas of Ermita and Malate.

Quite clearly, extractive use-value is the most familiar type of business valuation. It is the one that promises a monetary gain in the shortest possible period of time. But such a value—like any value—is not universally shared which is why other values need to be considered.

Nonextractive use-value covers the services that an environmental asset provides without the need to extract goods or harvest anything from them. Coral reefs and clean and well-maintained white sand beaches provide pleasant recreation not only for those beachcombers and scubadivers but also from the mere sight of these places, as in Puerto Galera. Similarly, mangrove swamps and other wetlands filter and purify water passing through them, aside from being a habitat for many species and even a source of food items, such as vinegar. And the sight of these wetlands is quite a pleasure, like the thick mangrove cover in areas of Siargao Island, in Surigao.

In the same vein, well-maintained old buildings are a sight to behold, from the vista of Morong church from afar, the view of San Sebastian from the corner of Hidalgo and Elizondo Streets, the grandeur of the approach to the Post Office building when one is in the front seat of a vehicle at full speed along Burgos Drive. A stroll along the old streets of Vigan and Taal specially on a quiet afternoon evokes memories and fantasies of lazy, leisurely but sometimes elegant and grand aristocratic lifestyles that remind one of the heights of tradition and sophistication that one's own culture has attained—and can still do.

Environmental economics have devoted substantial attention to the identification and measurement of nonextractive use value and the methodologies and concepts are far from being simple nor noncontroversial (Serageldin 1999). Nonetheless the effort has been worthwhile, especially in convincing governments, funding agencies and the general public of the importance of the conservation of many sites and locations of natural beauty and significance—and spending funds to do so. Besides it truly conforms to what many people also value. In con-

trast to extractive use-value, non-extractive use-value does not always provide immediate monetary gain. A measure of creativity, imagination, research and planning are necessary to translate this value into something profitable as a livelihood, often to be realized in the long-run. The non-extractive use-value, one must realize though, cannot be completely and fully translated into profits and monetary gains. The pleasure from merely seeing these places is often priceless, no matter that tourist brochures or documentaries would describe them as "well-worth the money."

But the monetary gains are nonetheless real: Puerto Galera now regards tourism as its major livelihood apart from fisheries and this has meant a continued preservation of the beaches and coral reefs. And new incomes and opportunities have entered the economies of Sorsogon and Negros Oriental with the growth of whale-watching as tourist activity. Non-extractive use-value thus has a viability that would check the extractive use-value from completely depleting the resource. In the case of these seaside communities, fishing continues as a livelihood but now practiced along ecologically sustainable lines to promote gains from tourism. A similar valuation process can be adapted to old buildings. Among the many concepts of nonextractive use-value, two are considered most appropriate for heritage sites, recreational value and aesthetic value (Serageldin 1999).

The recreational value refers to the leisure services that the sites directly provide, such as swimming, surfing and scuba-diving in truly clean beaches with well-preserved reefs not too far-away; for hikers, picnickers and campers in forest parks; for boating and other sport activities along clean and beautiful rivers, lakes and bays. Heritage sites can offer space for museums, art galleries, restaurants, lodgings and even the performing arts. They evoke a character and atmosphere uniquely different from modern specialized structures. One imagines dinner at an eighteenth century country mansion in Burgundy to be vastly different an experience from one on the viewing deck of a skyscraper like the World Trade Center in New York—or for that matter attending a performance of Berlioz's *Requiem* not at the Lincoln Center but at the Notre Dame at Paris. Many grand country houses in England earn their keep as hotels or as locales for wedding receptions and other social events.

The aesthetic value derives from the sensory experience of natural sites, such as the beauty of unspoiled beaches, the grandeur of centuries-old forests, and the sheer color and extravagance of well preserved

coral reefs. The same can be said of many old buildings, be they separate from the vicinity—as in the churches of Morong or Paoay or Miag-ao—or if they comprise an entire district, like Vigan's mestizo quarter, the San Sebastian and San Nicolas districts, or the poblacion of Taal. As such, they have the potential of attracting tourists and tourism-related business activities.

Old buildings attract certain business activities for office use, and even residents. Many small business activities, enterprises in publishing and design, consultancy offices that do not require large space have tended to occupy renovated old buildings in Downtown Manhattan. Many old tenements have been renovated to attract individuals who want to live near the city center and are attracted by the age and design of many of these old buildings. They provide features no longer available in more modern apartment and office buildings, such as high ceilings, larger windows, ceiling moldings and other decorative features that make these such attractive places for work or as homes. In Newport, Rhode Island, the so-called Doris Duke houses command handsome rental income as they are all renovated and well-maintained old houses.

Thus, the aesthetic and recreational values do point out at ways by which the preservation of old buildings and the maintenance of heritage sites can be financially viable and thus integrated in the day-to-day activities of modern life. The aesthetic value also proffers a certain style and identity to a place. Aside from a resource for marketing the city or town to investors and tourists, it can provide a sense of community pride and history. It makes money-making seem more exalted and dignified.

But there still is another type of value that is not easily and quickly translated to profits but nonetheless is still a real one. Non-use value refers to the benefit humanity receives from the continued existence of environmental assets. One need not actually experience these assets: one may have what is known as the option value in that one can take advantage of seeing these sometime later in the unknown future with the confidence that they will still be around. Or even if one does not get to see them, one can feel pleasure in the knowledge that these still exist. One can easily imagine the cases of whales and their various species, the elephants, the panda, or hectares of rainforest still standing and being preserved in Costa Rica, parts of the Amazon and Palawan. One would certainly feel a great loss in the mere knowledge of the extinction of these, such as one feels with news of continued

forest fires and forest clearing in Sumatra and the Amazon, or continued overfishing and near depletion of cod and other fish species in the North Atlantic.

One can say the same of old buildings. Whether in fact one has seen them or not, or may never realistically have the chance of seeing them, for that matter, humanity certainly feels a certain pleasure in their continued existence, such as the successful preservation of the temples of Abu Simbel, the restoration of the Great Wall and Angkor Wat, the restoration of the churches of Paoay and Santa Maria in Ilocos Sur. Humanity certainly mourned the destruction by earthquake of the frescoed ceiling of the Basilica of St Francis in Assisi, the destruction of the ancient walls of Beijing and other cities of China—most certainly the destruction of Intramuros and large districts of London in World War II. But for as long as many structures are still available and are preserved, from Borobudur to the pyramids of Yucatan, Cartagena in Colombia, Old Havana, Vigan, Taal and other places, the option value is very much real. This realization in many ways will keep the tourism and travel industries focused on the long-term and keep the dynamism of the publications and media industries that make these structures accessible to those who have not seen them but never the lose the hope of their being able to.

A variant of the option value is the quasi-option value. This is the value of taking advantage of the use value later even though as of the moment one is not certain of the actual use-value. But because of continued existence in the future, one can then evaluate the use-value when information or need emerges then. Quasi-option value on ecological assets often arises when one wants to ensure the survival of certain species whose function may not be known as of the moment, such as certain fish and plant species that may be flooded by the Three Gorges Dam in China. Once these species are lost, the quasi-option value on them is lost. This is a crucial consideration. As an example a lot of pharmaceutical preparations directed towards many illnesses and diseases are based upon recent knowledge of many different plant species and the survival strategies and anatomies of different animal species. Preserving many species and their habitats would mean that this information can be retrieved in the future when the pharmaceutical industry may develop a need for them. Otherwise, this will be the case of never knowing precisely what one may lose.

Non-use values are truly difficult to identify and estimate—what does one know of what was lost by the destruction of St Denis or of

old Paris before Baron Haussmann, what will truly be lost if Quiapo were to be subject to renewal with more modern and completely intelligent buildings that rise ever higher to maximize on the use of space? Nonetheless, the experience of non-use value is very real. And their assessment is crucial in the valuation and evaluation of both environmental assets and cultural heritage.

A clear illustration of the quasi-option value on the continued existence of old buildings and their adaptive reuse is that they provide information and knowledge about the crafts, lifestyles, social and personal histories of previous eras. Much of this knowledge can prove to be vital for profitable and viable enterprises later. For example, English country houses have proved to be valuable repositories of the English aristocratic lifestyle. Not only the architecture but also the interior design, furniture and furnishings, the fashion, the crafts, even the cuisine and the reading materials managed to be researched and documented as these structures continue to evoke memories and interest in previous eras. By contrast, their existence also encouraged research in the lifestyle of the peasants and middle classes of the past and thus the preservation as well of peasant cottages and middle-class townhouses. One can then get a more complete picture and flavor of the day-to-day lifestyle of past eras.

Nostalgia for the English country house and the entire culture that animated it was documented in the magazine *Country Life* since 1890 (Girouard 1978). It is instructive to realize that this rich documentation and the continued availability of these grand houses provided material and ideas to successful businesses that emerge decades later, such as interior designer Sister Parish's Colefax and Fowler and Georgina Fairholme's design establishments, the Laura Ashley enterprises, the vast Ralph Lauren conglomerate, to mention just a few. These businesses catered to a market that emerged nearly a century after the magazine's start. By then a substantial middle class with purchasing power wanted to adopt a certain lifestyle. These businesses could provide the products and services to furnish this lifestyle as they had the ready documentation, setting and models to adapt and modify, even reproduce: from the riding habits, the furniture and upholstery, the chintz and wallpaper, down to the design of the moldings and cornices and the overall layout of a country house. It was essentially the Victorian and Edwardian English aristocratic lifestyle adapted for the late 20th century middle and upper-middle classes of Britain and the USA.

Thus if the long-term goal of the Philippines is economic develop-

ment, preservation of old buildings are essential if only for the future middle class to exercise the option value on recreating the lifestyle of these houses to become their own. They can then have the option of developing a distinctive national style. Much has already been attained in various settings: in fashion, the *barong* and *terno* have flourished since extant pieces are available; in interior design, adaptations of traditional furniture in wood and bamboo with *solijia* and open space arrangements; in vacation homes, the updated versions of the bahay-kubo. A vast literature has very encouragingly emerged in the last two decades that have painstakingly documented these items of Philippine culture and preserved the very artifacts and objects themselves. Among these are Zialcita and Tinio (1980), Cordero-Fernando (1992), Trota Jose (1991), Javellana (1991), Perez III et al. (1989) and the Department of Tourism (1997).

Although the literature has emerged for old buildings and structures, many of these structures are in danger of being demolished. One can still do more in architecture and building design by preserving and reusing old buildings. In the absence of this option, the future middle classes will end up aping the lifestyle of some other country and thus be unable to develop a style and culture all their own. In fact, currently, many housing developments for the upper middle-class often proffer some nebulous Mediterranean style or Mexican-style housing developments. Are there any developments that even capture the basic idiom of a bahay-na-bato? And the more of these bahay-na-bato and other buildings available from different decades, the more models and examples for future architects and urban planners to study and adapt.

Beneficiaries and Burden-Sharing

As the habitat of human beings, cities have multiple functions. Not only do people reside in them. They also are workplaces, places for education, amenities and leisure. Governments realize substantial tax revenues and at the same time need to maintain and enhance infrastructure and social services. Businesses prefer cities as work areas as they can obtain the necessary labor and supplies and they have ready access to markets. But residents also want an environment where they can live a reasonable quality of life, where jobs are available, homes are affordable, schools are accessible and leisure and entertainment facilities are not too far away. Tourists would also like to visit and

enjoy whatever these amenities may be available and investors from outside would also like to check any opportunities for business.

In short, with multiple functions, people attach different values to what the city can and does provide. And as pointed out, many of these values are not often consistent with each other, nor for that matter universally shared. The same could be said with environmental assets: for example, a forest may be regarded as a magnificent natural landmark to be preserved for posterity for its natural beauty and as site for outdoor recreation. Others would rather see it as essential habitat for many flora and fauna and would be best left restricted from human access. One can reconcile these two values to some extent and even realize a third valuation, such as regarding the forest as valuable watershed if the location happens to be over a major aquifer (Miller 1991). But what about those who see also the potential for jobs and income from lumber activities, and do promise a sustainable pattern of tree farming? What about those whose jobs and livelihood rely on forest extraction? In many ways the choice of what to do with the forests involves identification of who shall benefit from that choice and who shall bear the cost or burden. Ideally then, some mechanism need to be designed for those who bear the burden to be compensated in some way from the gains realized by the beneficiaries; or for those that suffered to be provided some form of alternative.

The same could be said for the protection and conservation of old buildings. These do have multiple uses too. Many old buildings are usually sited on valuable real estate, often with excellent location so that they are sitting targets for those that would like to construct new structures that maximize on the income-generating potential of these sites. But even for those who intend to conserve these buildings, even for adaptive reuse, these structures may be currently utilized by others that might find it burdensome to maintain as heritage sites. Many inner-city old buildings are often populated by low-income families and use the sites as residences and/or places for small businesses and retail activities, no matter that some of these activities may be damaging the structures or not.

Traditionally activities in historic districts tend to be restricted to those that would not destroy these old structures or detract from some ambience or atmosphere that would be attractive to tourists. These can significantly reduce the livelihood opportunities for residents or even completely displace them. Moreover developments that attract investors in the neighborhood tend to gentrify the area and thus slowly

threaten long-time residents with possible eviction (Serageldin 1999).

For conservation of old buildings to be meaningful and popularly accepted, like environmental renewal, this should be seen as not displacing low-income residents for the sake of aesthetic, recreational and non-use values of the higher-income classes, many of whom may not even be residents of the district. It will be time-consuming, quite expensive and difficult but still possible to involve residents in the conservation activity and still benefit from the results.

As pointed out, many traditional forms of reuse tend to gentrify the district, for example, the conversion of many old tenements into up-scale apartments in the East Village, SoHo and Chelsea in Manhattan, and the Docklands in London. But it can still be possible to conserve and renew an historic district without displacing the low-income residents, such as the activities ongoing in Penang and Malacca in Malaysia (Villalon 1999). These would serve as models not simply of conservation and renewal of historic districts, but more importantly as examples of community development and genuine urban renewal.

In this process, conservation need not be and should not be seen as a mere process of community beautification and sanitation for the pleasure of the aesthetic standards of the higher-income classes. It will also maintain the historic districts as living cities, as dynamic and throbbing areas with genuine life and character, and not merely as museum cities or theme parks. As the experience of *Country Life* magazine shows, documentation of these conservation activities is crucial as it provides the wide range of ideas and possibilities of adaptive reuse and serve as valuable guides to current and planned conservation activities.

This sort of approach can therefore harmonize conflicting values among those involved in the restoration and renovation of old buildings. The process of renewal should therefore be seen as community development, not mere beautification.

Opportunities and Threats

Traditionally, investments in the conservation and renewal of old buildings or in entire historic districts are justified by the expected income stream from tourism and tourism-related revenues that would be generated in the district and its vicinity. Such districts attract art galleries, curio and souvenir shops, restaurants and other retail establishments. Aboveground, they then provide valuable rental properties for commercial, business and residential purposes. Many substantial

buildings can also be reused as hotels. Moreover they eventually translate to substantial tax revenue, from sales taxes, income taxes and property taxes. By this means, the extractive and recreational values are realized. In addition, they furnish the city with a signature district or landmark that can prove useful in marketing the city to tourists and investors. The aesthetic value and non-use value are then also realized.

Examples that come to mind are the Covent Garden district and Paternoster Square in London; SoHo and the East Village in Manhattan; Georgetown in Washington, DC; and the central district of Antwerp, Belgium. These districts have largely retrofitted old buildings for modern use. Modernist buildings can be found but the design and size harmonize with the rest of the district. These have proved to be successful public and private investment ventures. More importantly, they have kept these districts alive, dynamic and a place of pleasant human habitation, and not a mere museum district, lovely but sadly, even deathly still, like the ruins of Pompeii.

The actual manner of reuse will vary from place to place. It would be difficult to develop a set manual on conservation and renewal of old buildings. To borrow another leaf from environmental science, with cultural heritage, one needs to act local and think global. Old buildings are location-specific so that developers will need to be creative in their methods and plans for reuse without losing sight of the global principles: heritage has a genuine value, not just aesthetic and recreational, but also a non-use value as part of humanity's posterity and patrimony worth preserving and bequeathing to future generations. And heritage can be made to pay for itself specially since tourism is one of the fastest growing global industries.

Throughout North America, Western Europe, even Japan, and among the expatriate Filipino communities, long-term trends indicate a pattern of growing incomes and higher levels of education (Payumo and Aliño 1999). These comprise the major market for tourism in the future. These are the types of tourists who aim at cultural and heritage tourism. They are the types that purchase informative, illustrated and detailed guidebooks of places, complete with their political, cultural and social histories. They look for museums and art galleries, well-preserved old buildings and historic districts, characteristic landmarks and distinctive structures, souvenirs and items that bring out the flavor and character not even of an entire country but of a particular city or even a mere district.

Tourism is also multi-functional in nature. Leisure and amenities

also are part of the tourist package. But those places that provide a wide range of attractions from leisure facilities, shopping opportunities, adventure opportunities, ecological sites and heritage and cultural attractions will have a greater advantage in attracting tourists for a longer stay and a larger per capita expenditure. This would specially be the case for the East Asian countries because of the wide geographic distances among them. Unlike in Europe, East Asian countries are so far apart with only air travel being the feasible option to move about that for a traveler, the desire to stay longer in a particular locality is more cost-effective. In Europe, the compact geography allows for easy cross-country travel over land and the ability to see several countries in a short period of time is actually rather inexpensive by comparison, specially now that a common currency will be in use among many of them.

Indeed research has shown that new travel patterns are emerging (Payumo and Aliño 1999). Traditional tourist directions tended to be short holidays with single-activity focus, such as packaged tours to tropical islands or noted beach resorts, and separate packaged tours to cities and their noted cultural and artistic landmarks. But the new travel patterns seem to be tourists staying longer and looking for multi-activity focus: the leisure of enjoying a tropical beach resort, exploring natural landmarks such as forests and coral reefs, but also learning about a locality's history and culture. The tourist markets that are growing are those that cater to adventure tourism, ecological tourism, and cultural and heritage tourism. The more of all three that a country provides, the more it can attract tourists in the future.

Thus for the Philippines to attract more tourists into the country, it has to diversify the range of offerings and indeed would need to develop its own unique sense of place and culture. The Philippines already has its sites for leisure tourism, adventure tourism and ecological tourism but also needs to develop the facilities for cultural and heritage tourism, such as museums, galleries, and historic districts. The country has not yet fully developed facilities in all three so that the opportunity of developing them in an integrated and systematically planned manner is now urgent. Alongside coral reefs, marine reservations, forest and mountain-treks, old buildings and historic districts are essential elements in a locality's sense of place and unique identity.

It would therefore be possible to integrate tourism in a regional development plan. For example, one can attract tourists to the beaches, islands and mountain-trekking areas of Batangas, alongside the tours

to the historic towns of the province and their traditional festivals. One can conceive of developing the old towns of Aklan as attractions to the tourists that patronize Boracay, or the even grander towns of Bohol that are not too far from Panglao Island. This will be a component in an overall plan of development for these provinces' agriculture and agro-industries, and their infrastructure. Scotland has a Taste of Scotland Board that promotes research into the traditional and modern cuisine of that country and sponsors training programs in restaurant management and food preparation (MacDonald 1986). This has meant a boost not just in the hotel and restaurant industry of Scotland but also to the farms in the region that supply the produce and ingredients of their traditional cuisine. Certainly provinces and cities in the Philippines can do something similar.

Thus a well-developed plan of conservation and reuse of these old structures and an ingenious program to develop viable business activities in these districts will eventually generate the necessary revenues that will justify expenditures on renewing old buildings, even whole districts. This will generate multiplier benefits on other sectors. The regeneration of a district spills over to neighboring districts. Industries that cater to the establishments in the historic district will have a new and expanding market to cater to, such as the food and beverage requirements of the restaurants and eating places, the suppliers of souvenir items and curios which are usually traditional handicrafts of the area and the like. Moreover, the restoration project itself creates a market for those skilled in the traditional crafts associated with the construction and renovation of these old structures, such as carpenters, masons, sculptors, metalcraft, furniture-makers, upholsterers and the like. The skills of these craftspeople can then be harnessed in developing new products to cater to both tourists and the local market. They also pass on the knowledge of these crafts to future generations that might need this to recreate the lifestyle that a future middle class might wish to adopt.

But over this rosy prospect hangs a very sinister threat. Like many East Asian cities, cities in the Philippines are expected to grow rapidly in population. The population of the entire Philippines is expected to double in thirty-five years time with over half of the population already in urban areas. To be precise, as of the 1995 census, the population of the Philippines was set at 68,616,536, that of Metro Manila at 9,454,040. By the year 2020, the population of the Philippines will be anywhere from 98,864,348 to 110,715,179. By then, a little over half will

be residing in urban areas (NEDA 1998). This will increase the demand for urban space and efficient infrastructure.

This is the real threat to old buildings: the increased demand for urban space. The area occupied by many old buildings are superbly located for commercial and office buildings which have huge rates of return in a shorter period of time than the revenue from conservation and renewal can ever be. In Manila, districts under threat are Quiapo, San Nicolas and Binondo. In Vigan and Taal and most other old towns, they comprise the entire *centro* of the *poblacion*. This increased demand for urban space can fuel real estate speculation that will cause real estate prices to skyrocket even more and can make all space in the city centers excellent prey.

In such an atmosphere, government policy will now play a crucial role. The basic principle of environmental renewal is for the market to absorb the costs of environmental destruction and thus put a price on the value of conservation. This can be done through appropriate tax measures and licensing fees. An analogous proposal can be made, something that has been implemented for some time now in a number of European countries.

A major source of local government revenue is the property tax (Llanto 1990). Owners of property pay an annual tax which is a percentage of the property's market value or assessed value. The percent rate is usually based on the nature of use of the property. Based on the Real Property Tax Code at least before the Local Government Code of 1992, the rates on lands and their improvement were as follows:

a.) For provinces and municipalities: one-fourth of one percent (1/4 of 1 percent) to one-half of one percent (1/2 of 1 percent) of the assessed value of real properties; b.) For cities: one-half of one percent (1/2 of 1 percent) to two percent (2 percent).

The schedule of the assessment value would be as follows:

Land	Assessment Level (percent of market value)
Residential	30
Agricultural	40
Commercial and industrial	50
Building and Improvement	
Residential	15 to 80
Agricultural	40 to 80
Commercial and industrial	50 to 80

If properly administered, the real property tax can diminish real estate speculation and preserve the character of many districts. Unfortunately both in terms of design and implementation, the property tax system can stand substantial improvement. In terms of implementation, local governments seem to have not fully tapped the potential revenue of the property tax (Llanto 1990). Estimates from the 1980s show that local governments have been collecting about 60 percent only of the potential revenue from property taxes and there has not been substantial increases overall even after the Local Government Code of 1992.

There is a need to regularly update the valuation of urban properties. Ideally this should be based on current market values but often the market values used in the assessment are about eight years outdated. With such undervaluation, the amount of tax due is thus very minimal. It has been the experience of European countries that a properly collected property tax based on current market values significantly discourages land hoarding and speculation (Musgrave and Musgrave 1989). With a huge tax due annually, land ownership does not become an attractive investment unless one actually develops it. To use an arithmetic example, if one were to apply the actual provision of the Real Property Tax Code, if one owns a 1000 square meter residential property in Quiapo, at a current market value of P80,000 per square meter, one would need to pay a property tax of P240,000 ($P80,000 \times 1000 \times 0.3 \times 0.5 \times 0.02$). Either one has to sell this property and relieve one of the burden of this tax bill or one has to develop it.

But in actual fact, few might be paying this huge amount. What if the valuation uses not current market values but the value of 1988? At land prices then of P8,000 per square meter, the tax due is P24,000. And in practice, the valuation used by government is even lower than the actual market value as available information on actual market sales are not being used. Because of the low property tax due, land then becomes an attractive investment opportunity. A substantial amount of urban land is simply being hoarded from the market to await the next highest purchase offer which often results in keeping the land idle for some time again until the next highest bidder comes along.

If the tax were to be enforced strictly using the actual current market values (which would require prompt and accurate reporting by real estate firms of their recent sales) one attractive probable outcome is that land values might actually moderate if not even decline. This

is because more lands would be made available for sale by landowners that wish to reduce their tax liabilities. This is one reason why economists as early as the middle of the 19th century have argued for the equitable feature of a land tax. In the long-run, it generates substantial government revenue from the landowning classes (who are of course among the high-income classes) and makes land available for purposes more productive than mere speculation (Lacey 1983).

But more importantly, the real property tax can be designed to realize an ideal land-use and zoning pattern for the city. For quite some time, the identification of the assessment rate has been based on the actual use of the property, regardless of whether this might be the best-use of it. One can develop a proposed land-use map for the city and assign the tax rates accordingly. Thus, for example, establishments in an area zoned for medium-density commercial establishments shall all be assessed the same rate regardless of actual use of the establishment at the time of implementation of the new zoning rules. Any establishment that does not follow the zoning ordinance on use and building density can be slapped a much higher sumptuary rate. The tax rate can thus be used as an effective instrument to enforce zoning and land-use ordinances.

One can therefore propose that the land-use maps recognize certain areas as historic districts where old structures will be assigned a lower tax rate than the newer ones. New structures that conform to the density and architectural requirements of the district will receive a similar tax rate. Expenditures on renewal of old buildings can be granted tax relief for a certain number of years or a lower rate of assessment on improvements. Similarly, buildings that do not conform to the architectural and density requirements of the district, and especially demolition of old buildings, will be slapped a higher even punitive tax rate.

It is these tax measures and zoning and land-use mechanisms that will cause the market to price these old buildings closer to their non-use and non-extractive use values to preserve them for the future. But it would be necessary to first of all ensure that the property tax collection be implemented effectively. Even if old buildings do not yet receive preferential tax treatment, any mechanism to discourage land speculation will be a necessary first step in keeping the extractive use-value on these buildings from overwhelming the non-extractive and non-use values.

Conclusions and Recommendations

The current crisis in East Asia affords one a breathing space to work for the effective conservation of these old buildings. The crisis has thus far reduced land speculation and the influx of tourists. It is thus an opportune time to plan for the long-term development of these structures and the community around them. A number of activities can be done now.

First the infrastructure requirements needed for the renewal of these areas can now be identified. One is talking about new water pipes, sewer lines, electricity lines, telephone cables, road and curb improvement. The very provision of these need proper design to be harmonious with the district's aesthetic impact. One needs to consider the overall infrastructure as well. A major stumbling block to economic development in general and tourism development in particular in the Philippines is infrastructure (Payumo and Aliño 1999). In fact, in a regular survey of the competitiveness of 46 leading economies of the world, the Philippines consistently ranked third to the lowest in infrastructure, just ahead of India and Russia (Venida 1998).

Next one needs to agree on the definition of an old structure that would be simple, straightforward and easy to apply nationwide. For a start, can we define an old structure as one constructed before 1942. Then one now needs to identify these buildings and the districts that can be zoned as historic districts. These can then be incorporated in the land-use maps and the tax maps so that lower tax rates can be negotiated and some form of tax relief or subsidy on their renovation. But one must also insist and lobby for an effective program of implementation of the real property tax. This will generate the revenues of the local government and at the same time reduce land speculation that will greatly aid in diminishing the extractive use-value on the historic district. This will be the point of partnership between the local government and the conservation program.

One needs to do research on the architectural, artistic, social and personal histories of these buildings and structures. This research will guide the process of adaptive reuse, the development of guidebooks and the identification of appropriate business activities that can be encouraged in the district. It will also involve research in the history and tradition of the entire region. This will yield the necessary information not just for the guidebooks but also for the integrated development plan for the province and the towns and cities.

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