



**ICOMOS - CIAV**  
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# Editorial

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Dear colleagues:

I have received wonderful articles from Luigi N. Tessiore, Said Nagay and Demet Binan.

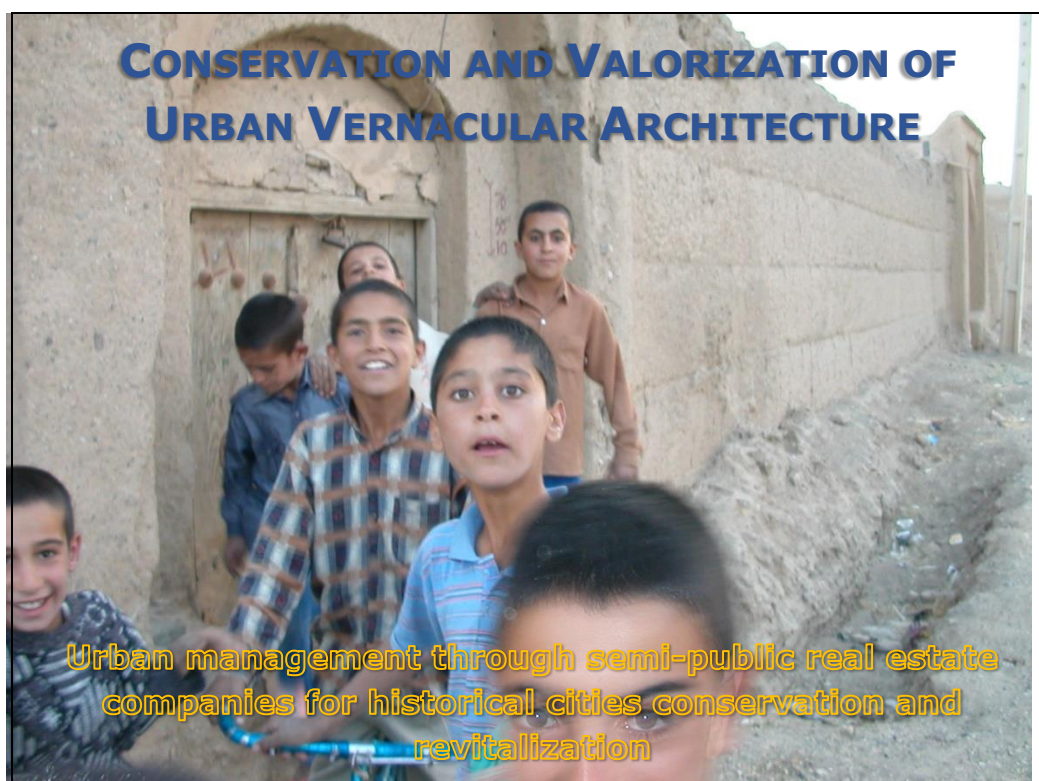
As each one of them are very interesting with nice illustrations, they are going to be published in separate CIAV Newsletters.

On this issue you may read the article written by Naggay Said from Marruecos, about the conservation and valorization of urban vernacular architecture, which have been sent by our colleague and friend Luigi N. Tesiore, which CV it's in attachment of the article. We hope you will enjoy his contribution.

Thank you for your interest.

*CIAV Vice-president*

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**Note:** resulting from an official mission in Iran in 2003/04, part of this article was included in the report and published. Now has been reviewed and further developed taking stock from lessons learned and added experiences. From a territorial-economic stand-point this article is proposing a method for conservation and revitalization of historical/vernacular districts, based on the Iranian institutional/technical context that could be replicated elsewhere.

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## 1 Rationale

The recovery of externalities, produced by public/private investments, for public/social finalities is the most important challenge of sustainable urban development, including conservation and revitalization of vernacular building and sites. This note has the objective of introducing an approach to the problem based on urban economic management using tools that are usually available to local governments and local actors. A better and sustainable policy approach towards integral protection of historical sites is possible, when political will and legal conditions allow it.

*Vernacular building is the traditional and natural way by which communities house themselves. It is a continuing process including necessary changes and continuous adaption as a response to social and environmental constraints. The survival of this tradition is threatened worldwide by the forces of economic, cultural and architectural homogenization. How these forces can be met is a fundamental problem that must be addressed by communities and by governments, planners, architects, conservationists and by a multidisciplinary group of specialists.*  
(From CIAV chart)

At least two pre-conditions seem to be necessary for the accomplishment of this goal: (i) a strong and accountable local government, and (ii) an adequate legal framework.

## 2 The economy of urban transformation

In the quite complex mechanism of urban economy, investments made in a certain area produce externalities usually expressed by an increase of value in the surrounding properties. Because of this, fixed investment's externalities in urban areas are territorially localized. For the same reason, both public and private investments in housing, infrastructures, utilities, construction, etc. produce an increase of (normally private) real estate values in their proximity.



The recovery and use of these externalities for public/social finalities is the real challenge for Municipalities (local governments) if they want to play a role in conservation and revitalization of vernacular building and sites, thus urban sustainable management and development. The reason is quite simple: the real financial resources available to any local administration are insufficient to produce sustainable urban development, neither for preserve ancient buildings and urban fabric that don't have the "individual appeal" traditionally imbedded in a "monument". For the achievement of the local development goals is of vital importance the capacity to identify, mobilize and use, beside other fiscal resources, the additional economic resources that urban economy produce.

### 3 The conservation of historical/vernacular cities

The recent conceptual overture on conservation of historical districts and cities as a whole, rather than as individual objects has brought a new challenge that involves central and local governments at both technical and financial levels. Furthermore, the need for additional resources became even more apparent when we see how fast and how



deeply historical centres and cities are being transformed nowadays, with little or no consideration for their cultural and historical value. Indeed, the attention of the general public and investors is focused on reuse, transformation and rehabilitation of historical cities. Disappointment for modern cities lifestyle, heavy pollution, chaotic traffic, modern residential typologies not satisfying ancestral and cultural needs, are some of the reasons for this new demand, together with the increased estate values on the same zones. The aspirations of most people are for a better quality of life that should be reflected on a better city form, which is usually seen in the preservation and revitalization of historical cities. The demand for living in historical districts has proven to be increasing all over the world in the last forty years. Every country has been attained by this phenomenon at different stages. Iran presents all the necessary conditions for a boom in this sector in the next few years<sup>1</sup>.

The new challenge of urban conservation and valorisation requires new approaches and tools. Only in this way a satisfactory answer to this new demand could be found in the conservation and valorisation of the important historical urban patrimony, rather than in his definitive destruction.

### 4 How?



On one side the traditional “monumental” approach has proved to be inadequate vis-à-vis of the urban historical/vernacular context. It is quite impossible to extend to the wide urban scale the same methods, techniques, funding sources and procedures.

On the other side the expropriation/public acquisition logic of intervention has objective limits dictated by the availability of resources. When the object of investment is a whole historical neighbourhood is evident that any public resources are quite inadequate to cope with the need. The wide range of protected objects and their intrinsic structural relation poses to the central and local government who are willing to lead this new

<sup>1</sup> The war and sanctions in Iraq could modify/slow down/invert this trend.

process, specific challenges that we can summarize as follows:

<b>Resources</b>	How necessary public and private resources can be made available for conservative objectives rather than destructive ones?
<b>Coherence</b>	How the technical complexity of an urban project could be made simple for individual private understanding, participation and management?
<b>Organization</b>	How public and private resources could be made available at the same time and for the same purpose; how could both participate in an investment that has to be rentable for every stakeholder?

Because of the plurality of actors involved (local and central administrations, private investors individuals and companies, other entities, etc.) and the variety of available tools (fiscal drag, planning, economic and other incentives/disincentives, expropriation, etc.) an objective complexity exist in the management of interventions of urban transformation mostly when leading to conservation and valorisation of historical/vernacular areas.



But it is evident that a sustainable urban development needs to find sources of funding through the recuperation for social/public use of most (or at list part) of the externalities produced by public investments in infrastructures. We could go even further in our idea, by saying that sustainable urban development should/could be based "tout-court" on the recuperation of the

externalities produced by public investments in infrastructures. But this seems to be too far ahead in the present Iranian situation.

If we accept the idea that a sustainable source of funding for historical districts conservation and revitalization could be provided by the externalities produced by the investment itself, we should see who can do it and how this could be done

The attempts made until now have demonstrated that private interventions alone may be (i) fragmentary and (ii) diluted over a lap of time that cannot be planned in advance. Furthermore, the private interventions are oriented to the maximization of the recuperation of externalities for private use, and seldom integrate the concept of public interest by themselves. As result they may lose efficacy and result altogether contradictory.



## 5 This tool exists?

Traditional planning tools seem to be most effective when private land/estate owners are the beneficiary of the externalities. Furthermore, planning tool should give the technical and legal framework for the “operation” itself. Experience demonstrates that the formation of externalities in estate developments is real (and effective) only during the implementation of the operation. To say it in other terms, planning tools put in place the conditions for the creation of externalities. Because the creation and reinvestment of these happens afterwards, it cannot be managed by the planning tool. What is needed is an operational tool.



Taxation is the local administration’s most commonly used tool for externalities recuperation. But the increase of estate values is rarely adequately reflected on an increase of taxes. Estate taxes (both local municipal and national) refer in most cases only to two categories (i) position and (ii) transfer of ownership (through purchase or inheritance). The few examples of taxes or duties linked directly to urban investments in infrastructures<sup>2</sup> are perceived as tolls for the use of it. And even when a local tax on the increase of land value is applied, the return in terms of improvement of the local urban situation is rarely perceivable. This is because tax (even local tax) per definition, can be “bind” to an exclusive use, but not “localized” to a specific territory.

The necessary tool could be something that could put together (i) resources and complex real estate technical/financial development management, (ii) capacity to take advantage from development opportunities and economic and technical flexibility, (iii) aptitude to organize multiple partnership both on the offer and demand side, (iv) ability to reinvest in the same sector the benefits of previous operations.

This tool exists already in private sector: real estate company (REC). Below is a synthetic description of the opportunity that semi-public REC, under a pragmatic and accountable public leadership from local authorities, could represent for urban conservation and revitalization.

## 6 Who can do it?

It is not necessary to insist here in the comparative advantage of local institutions v/s central in efficient services delivery.<sup>3</sup> In the specific field of urban economy the same comparative advantage could be easily demonstrated.

<sup>2</sup> Few examples exist (mostly in relation with roads/bridges/tunnels), but the toll is always related with the “use” of the infrastructure, not with the proximity.

<sup>3</sup> WB 2001: Poverty reduction and economic management (PREM).

Furthermore, when we talk about reuse of externalities for public benefit, that is the case with historical cities conservation, it is difficult to see how central authorities could be able to manage a plurality of operations in several municipalities.

Evidently local institutions can do it. Beside the efficacy, accountability and planning capacity, local institutions have:

- the presence on the field of each operation,
- the specific interest in the success of each operation,
- an evident direct interest in the improvement of living condition of the inhabitants (also poverty reduction),
- are supposed to manage effectively local resources,
- they can build legitimacy with the accountable management of operations,
- last but not least, this kind of operations represents "local to local strategies".

In this picture "central" is also far away from the problems.



We can see here the complementarities of roles, central government having to establish the legal framework, and local authorities to implement and adapt it to their specific technical and economic situation.

## 7 Real Estate Company (REC) and semi-public REC

RECs traditionally represent an important tool used by private sector to perform the economic sequence: (i) acquisition, (ii) investment, (iii) recovery of externalities, (iv) reinvestment.

At the same time, a few examples of semi-public REC exist, managing the same process, but less explicitly. This is not only because a certain embarrassment is always present when talking about the possibility that public sector could perform market-oriented operations. An evident resistance exists because of the objective corruptive risks that such an enterprise could bring to the local institution.

But we know that these risks could be reduced/minimized with the implementation of adequate measures that should be the fundamentals of the legal framework regulating this matter. Among the necessary measures are (i) civil society participation, (ii) information to the general public, (iii) public accountability and (iv) transparency mechanisms.

Iranian government's Maskan-Sazan Companies in some way represents an example of this tendency (*see below*).



**The basic principle is quite simple:** a semi-public real estate company could allow the local/municipal institution to perform in the same way as private do, but with a clear goal on conservation, revitalization and improvement of quality of life for its citizens.

What a Semi-public-REC could do?

- It could get involved where and how the local institution is willing to perform an operation of conservation and revitalization of historical district;
- It could purchase private properties before the operation, when the owners are not willing to participate to the operation;
- It could prepare feasibility studies, execution projects, economic and technical evaluation of the operation and propose them to the municipality;
- It could tender the execution of the investment to one/several private companies;
- It could supervise and perform the general coordination of the operation and the marketing of the output;
- It could re-sell after the operation the same property, at the new increased values, thus allowing the community to benefit from the externalities produced;
- It could re-invest both on public spaces and private buildings (acquired before) these new resources;

## 8 The logic of intervention

If REC could represent an answer for the question of resources mobilization, it has also to be clarified if and how it could be the same answer for the other problems raised above (coherence, organization/management).



It is assumed here that REC can perform in a coordinated way, urban works in:

- Infrastructures, public services, public spaces, roads;
- Networks and utilities;
- Buildings of any kind (housing, commerce, industrial and handicraft production, storage and other facilities, etc.).

Nevertheless, this is not enough to prove the capacity of REC to work with a plurality of subjects during all phases of the implementation of an operation, i.e. to market the operation from the initial stage, to create consensus among citizen, etc. Obviously, the experience form private REC is not enough to lead the much more complex process of an operation that involves private citizen, companies, public departments, etc. Attention is also needed to the necessity of having the local authority able to lead and manage each operation using the REC. A semi-public REC in a favourable economic situation could became quite rapidly a powerful company, with capacity of elaborating strategies independent form the public local institution.



**In these two critical sectors the experience of the World Bank could be extremely important in building up (i) institutional capacity al local level (municipality), and technical skills at company level (REC).**

## 8.1 Keys points:

### 8.1.1 Three preliminary conditions:

- A) **The market value** (of each part and of the total) should be assessed before the operation is designed (avoid publicity that could modify values) for all real estate private and public properties involved (the zone of intervention). This value is the "initial market value" to be used for all transactions during the operation. It should be agreed upon by all stakeholders.
- B) **The operation's goal** (political, social, technical financial and fiscal) should be (i) coherent with the local planning framework (the "will" of the local community) and (ii) evaluated and clearly defined before the start-up<sup>4</sup>. In our case the goal of conservation and revitalization of the historical values of the urban morphology and typologies should be clearly defined in the advertising of the operation. Institutions like ICHO should have prior approval power over all operations. All this matter should be established (defined and regulated) "a priori" within the general legal agreement (convention) between the Municipality and the REC.
- C) **The contributions of each involved partner** in funds, property rights, other, should be defined and agree upon. All values should be referred to the "initial market value" defined above. A second specific convention should be signed between the REC and all other involved parties for each operation. This condition will allow defining "a posteriori" the attribution of shares of plus-value created during the operation.

<sup>4</sup> This is a strategic condition that should be clarified in relation with Maskan-Sazan Company. Manifestly it will not produce the same results an operation that has the goal of "urban renewal" or "historical conservation".

### 8.1.2 Three steps

- A) The operation should always start with intervention on public spaces and infrastructures. These are the real economic start-up of the overall process of creation of externalities in the zone of intervention. This planning will also have additional positive effects on the adhesion of private estate owners and investors.
- B) Because not always private owned properties are willing to participate to the operation the REC should purchase at market price (the values established before the beginning) all remaining estates, necessary for the accomplishment of the operation goals. For this, additional resources may be needed. A legal framework defining the expropriation rights in relation with this procedure is also necessary.
- C) At the same time, during the execution of the investment, parts of the built-up estates could be marketed, at the new, re-evaluated prices, thus recuperating immediately the externalities produced, for new operations.

## 9 The Statutes of Maskan-Sazan Company - MSC

The Ministers' Council of Iran approved the statutes of Maskan-Sazan Company (MSC) in 1989 based on the proposal from Ministry of Housing and Urban Development, according to amendment 5, article 11 of Urban Land Law (adopted by the Parliament in 1987).

### 9.1 Scope of Activities (Articles 1 to 3)

The company is called "Provincial Maskan-Sazan (literally home-builders) Construction and Development Company" and operates according to its statutes and the Law of Commerce. The company is the contractor for construction, housing, land development, infrastructure, etc. It is based at the centre of province but can have branch offices in other parts of the same province.

### 9.2 Shares & Shareholders (Articles 4 to 6)

The capital investment of MSC is Rials 120 million in form of 1200 equal shares of Rials 100,000 (12.5 USD). Each share has one vote.

There are two types of shareholders:

- **Type A- public:** a maximum of 49% of the total shares (i.e. a max. of 587 shares) might belong to the companies affiliated to Ministry of Housing and Urban Development and the Banks.
- **Type B- private:** the share sold to non-governmental persons or enterprises, which should exceed 51% of total shares (i.e. min. 612 shares). Type B shareholders can exchange their shares according to the Law of Commerce.

### 9.3 Institutional arrangements (Articles 7 & 8)

The main MSC bodies are:

- General assembly
- Executive board
- Executive manager
- Inspector (peer reviewer)

The responsibilities, liabilities and functions of these are defined according to the Law of Commerce. The decisions made by General Assembly are adopted by having two thirds of total votes.



## 10 How to use the MSC for effective and sustainable historical/vernacular cities conservation and revitalization

The actual experience of MSC has demonstrated its limits. But it can be corrected.

- **Scope of MSC should be clarified:** the historical conservative approach should be assumed without ambiguity. Core problems like historical documentation, survey and investigation, traffic and parking disincentives, detailed identification of historical values, use of traditional building materials, protection of traditional habitative typologies, protection of historical urban morphology, etc. should be defined in the status of each MSC and put in practice immediately,
- **Municipalities should become the main stakeholder of MSC.** Local administrations are obviously by their concrete role at the centre of the urban transformation. But the existing institutional/legal framework doesn't recognize completely this. At the same time a reduction of the presence of central administration (ministries, specialized organizations, etc.) is desirable. A revised legal framework should be prepared at central level.
- **A new legal framework should sustain the role of Municipalities.** This new framework should (i) attribute to municipalities primary competencies in the sector of urban planning, transformation, historical conservation. (ii) define the specific central role of municipalities in the MSC, and the operational articulation of every subject involved, (iii) redefine the expropriation rights in relation with this specific kind of operations of urban transformation aimed to the conservation and revitalization of historical buildings and districts.
- **MSC operations should be driven exclusively by local planning.** If local planning represents the "will" of the local community, the interventions of MSC should follow local planning goals and procedures. Any operation that derogates from the local planning should be forbidden, because it could cause a deviation from the public local interest.
- **Goal of each operation should be straight-forward oriented to historical conservation and revitalization.** Coherent clearly defined. It is not possible to say that the intervention is oriented to conservation of an historical district and then demolish historical houses to make space for new parking or rectify historical streets (and historical plot structure) to facilitate car traffic.

