

UPGRADE, RESTORE, REPOSITION YOUR HERITAGE ASSETS

BUILDING UPGRADE FINANCE
SOUTH AUSTRALIA



Building Upgrade Finance for Heritage Listed Buildings

Building Upgrade Finance is a new non-traditional finance product for upgrades and restoration of non-residential heritage listed buildings*.

This finance can help building owners to fund a broad range of small and large scale heritage and environmental upgrade works. It provides an alternative to, or can supplement, bank debt and equity for repositioning your asset or completing major refurbishments.

Heritage and Environmental Upgrade Examples

Building Upgrade Finance can fund upgrade works to heritage listed buildings that:

- Maintain, repair, upgrade or reinstate heritage significance
- Relate to compliance with the *Building Rules* or the *Disability Discrimination Act 1992*
- Facilitate the ongoing occupation of the building
- Improve the environmental performance of the building.

Examples include:



SOLAR PV AND BATTERIES



FAÇADE RESTORATION WORKS



TOILET UPGRADES



KITCHEN FACILITIES



LIGHTING



AIR CONDITIONING



SPRINKLER SYSTEMS



LIFTS AND STAIRS



ROOF REPAIRS



WINDOWS AND DOORS



ASBESTOS REMOVAL



DDA COMPLIANCE MEASURES



BMS UPGRADES



ELECTRICAL SUBMETERING



Building Upgrade Agreement

Building Upgrade Finance involves an agreement between the building owner, finance provider and local council, where a:

- Building owner seeks finance for a building upgrade
- Finance provider lends finance to the building owner
- Council collects repayments from the building owner and transfers them to the finance provider.

The finance structure provides finance providers with additional security that enables unique product benefits, including:



OPTION FOR LONG TERM (10-20 YEAR), FIXED RATE FINANCE

Fixed, lower repayments and potential for neutral/positive cashflows. The operating savings from upgrades can help to repay the finance.



NO UPFRONT CAPITAL REQUIRED

Up to 100% project finance is available, so there is no impact on capital budgets.



SHARE COSTS

Costs of upgrades can be shared with benefiting tenants.



PASS ON THE LOAN

When selling, remaining repayments can be passed to the new owner or discharged on settlement.



NO ENCUMBRANCE

No encumbrance on the property title.

For further information about the Building Upgrade Finance process, requirements and eligibility, visit: buildingupgradefinance.net.au/south-australia

CASE STUDY

Darling Building Franklin Street, Adelaide

Building Owner

Darling House Pty Ltd

Built in 1916, the Darling Building is listed on the State Heritage register as a state significant item for both its historical associations and for its high integrity and visual complexity.

When the building was purchased in 2013, it had been mostly unoccupied since 1997. Upgrade works transformed the building into a contemporary office space, and a perfect example of how to revitalise underutilised assets.

"One of the most significant heritage transformations of recent times" ([Adelaide Review, 2018](#)).

This upgrade could have utilised Building Upgrade Finance had it been available at the time.

Upgrade Works

Upgrade works completed that would have been eligible for Building Upgrade Finance included:

- Specialist demolition
- Asbestos removal
- Roof restoration
- Lighting and electrical upgrades
- Installation of six zincbromine batteries and three inverters
- Lift upgrades including the installation of an access platform
- Plumbing and fixtures
- Fixed floor fit outs
- New windows and doors
- Air conditioning systems
- Kitchen and bathroom facilities
- Fully rebuilt heritage-listed elevator
- Fire upgrade including sprinkler system.

Challenges

Electricity Supply

It was discovered after purchase of the building that the local power grid was unable to provide the estimated increased peak energy supply needed for the renovated building. Many solutions were either too expensive or unviable. It was eventually decided that battery storage would be used as a peak energy management system.

Competing Standards

Meeting the relevant fire safety building code performance requirements without impacting on the heritage values was a challenge. The installation of an economical sprinkler system provided the solution.



Finance Strategy

An independent entity, Darling House Pty Ltd (PL), was established to purchase the building and undertake the upgrade. A unit trust was also established to enable different levels of financial contribution from the three directors of Williams Burton Leopardi, in addition to two other investors.

The purchase of the building in 2013 and completion of stage one works including specialist demolition and asbestos removal was financed by the Darling House PL partners. Stage two of the upgrade was financed by a loan provided by a Darling House PL Partner, which was then replaced with an interest only, variable business bank loan once the building was fully occupied in 2018. The loan is reviewed annually. Grant monies of \$37,000 also contributed to the completion of the upgrade works.

How Building Upgrade Finance could have helped?

The total cost of the upgrade works was **\$4.6 million**. In principle, all upgrade works would have been eligible to be funded by Building Upgrade Finance. The actual loan amount would have been subject to meeting additional requirements and agreement from a finance provider and the council.

The owners would have benefited from access to a long term loan with fixed quarterly payments and the option to negotiate passing on the remaining repayments to a new owner on sale of the property.

The option of seeking tenant contributions to the repayments via outgoing under leases could have also been investigated.

CASE STUDY

Oliver's Taranga Vineyards & Cellar Door, McLaren Vale

Building Owner

The Oliver Family

Worker's cottages were built by early settlers to allow people to live on the land they worked on. The worker's cottage at Oliver's Taranga Vineyards is listed on the Local Heritage register as an item of local significance, and is likely to have been inhabited from the time it was built in the 1860s up until the 1960s.

The cottage was upgraded to become the new cellar door and support the launch of the Oliver's Taranga wine brand. Works at the site included restoring and extending the cottage to allow for commercial use, as well as the construction of a new barrel shed nearby. Reinstating the historical link to their six-generation farming family was at the heart of the launch of the Oliver family's wine brand.

Upgrade Works

Upgrade works completed that would have been eligible for Building Upgrade Finance included:

- Design, planning and construction management costs related to the cottage upgrade works
- Service upgrades to the cottage
- Internal cottage upgrades such as flooring, plaster work and new windows
- Restoration of heritage significance of the cottage including stone masonry
- Asbestos removal
- New roof on existing cottage
- Aspects of the cottage extension works including the disability access additions.



Finance Strategy

Approximately half of the total expenditure was financed through an interest only, variable business loan which was paid off within five years. The remainder of the budget was financed from the business owner's cash flow and profits, as well as a \$3,000 grant from the City of Onkaparinga.

How Building Upgrade Finance could have helped?

The total cost of the upgrade works (including the barrel shed) was **\$1.045 million**. It is estimated that **25-50%** of the upgrade works cost would have been eligible to be funded by Building Upgrade Finance. The actual loan amount would have been subject to meeting additional requirements and agreement from a finance provider and the council.

Building Upgrade Finance is a long term loan (i.e. 10-20 years) therefore repayments would have been less per quarter compared with the short term business loan that was used to part fund the Oliver's Taranga Vineyards heritage cottage upgrade. The lower quarterly repayments would have freed up cash flow for the business.

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