



CHALLENGES IN THE PRESERVATION OF RIGA'S ARCHITECTURAL CULTURAL HERITAGE

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Abstract. Historical buildings are the most visible part of cultural heritage. They make up Latvia's historical landscape that has been centuries in the making. In the vast majority of cases these buildings are included in the historical cultural heritage of Latvia. However, the practical mechanisms of their preservation (ownership preservation, maintenance, renewal opportunities) and, consequently, their economic potential, still have not yet been fully evaluated.

Does cultural value interact with market value? What factors affect urban planning in the Historic Centre of Riga and its PZ – a UNESCO World Heritage site? Answers to these questions, as well as the main challenges in the preservation of values of Riga's architectural heritage will be discussed in the paper.

Keywords: cultural built environment, historical buildings, cultural value, market value, Historic Centre of Riga, UNESCO heritage.

Introduction

The Historic Centre of Riga (HCR) and its protective zone (PZ) is the urban space, where Latvian architectural heritage treasures are concentrated the most. The HCR is famous for its Art Nouveau buildings, 19th century wooden architecture, and outstanding composition of urban space. RHC is included in the UNESCO World Heritage List (see Saeima 2011; Riga City Council 2006b).

Contrary to planning, during the past decade the HCR has undergone significant socio-economic and structural changes. These changes have been unexpected in regards to the current spatial vision of Riga. The changes are: depopulation, changes in land use and the appearance of a large number of deserted residential buildings.

These problems are now topical in Latvia (as they are globally) among professionals (architects, city planners, realtors, and developers), institutions, scientists, owners and the general public (citizens), seeking the most suitable (smart and modern) solution for developing a new urban concept for Riga taking into account the balance of interests of all in spatial planning interested parties and capturing the value of cultural property.

In the HCR one of most painful problems is the preservation of buildings with the status of "cultural monument", attributing it mostly to zoning problems (e.g. specific requirements for design and zoning regulation). However the

problems may be more complex (global) and have not been solved with only planning and building instruments. The physical condition and aesthetic quality of building environment promote attractiveness of urban space and a common "well-being" of the city (see Williamson *et al.* 2010).

Therefore one of the most unique sites of urban design in Latvia and in North-Eastern Europe – the RHC's and its PZ's architectural heritage buildings, have been selected as the object of this mostly theoretical study, focussing on the following: 1) Clarification of the content of terms "cultural value" and "market value"; 2) How market value of an historical building would be accessed? 3) How to define and substantiate the impact of intangible (cultural) values on the physical environment (e.g. on the property market values)? 4) Does the status "monument of culture" affect properties market trends also in the historical part of Riga? 5) What factors affect spatial planning in the HCR and its PZ? 6) What affects value capture of architectural heritage?

Actuality and methodology of the study

It has emerged that many world historical landscapes have experienced a remarkable, irreversible change, particularly during last one hundred years addressing this problem,

mainly due to the industrialization and modernization of agrarian production, military intervenes, technologies, pollution, change of living standards, migration and urban sprawl, etc. These common problems have also been identified in Latvian rural and urban territories, as well as in HCR and its PZ (see Council of Europe 2005; Williamson *et al.* 2010).

The total cultural heritage loss (e.g. value) is not fully estimated. The current state is not known due to lack of common standards (approaches and methodologies) and appropriate data systems to monitor it. The opinion exists that cultural value, having unique features, cannot be assessed by the application of market valuation.

Heritage protection is supported by well-respected organizations (UNESCO, World Bank, European Commission, etc.), addressing to this thematic and information large variety of binding declarations, concepts, manuals, surveys, researches, as well as limited amount of financial aid. However it is still necessary to have more initiatives from national countries to transfer these recommendations and knowledge into practical, well-operating, integrated heritage protection systems. ICT progress has changed the manner of planning involving more and more technologies (particularly GIS solutions) for maintenance, publication and updating environmental, spatial, property related descriptive and social-economic data.

Also the land administration paradigm, to which urban design is addressed, has changed: alongside the three classical dimensions (economic, environmental, and social), nowadays it also includes “good governance” and “the culture”, requiring a systemic approach, a balancing of interests, a more public involvement (bottom-up planning) and classified environment related data (see Ingram, Hong 2012; Williamson *et al.* 2010).

This study will discuss two types (concepts) of values affecting architectural heritage buildings: the definition and content of the meaning of “cultural value” and “market value”, its assessment principles, where feature “cultural heritage” can be taken into account.

One of the most unique sites of urban design in Latvia and in North-Eastern Europe – the RHC, its PZ and its architectural heritage buildings, have been selected as the object of this study, searching answers on following questions: Does the status “monument of culture” affect properties market trends in the historical part of Riga? What factors affect planning in the HCR and its PZ? What affect the value capture of architectural heritage?

The theoretical framework of study is based on analysis of earlier international and local research of cultural heritage, valuation theory and standards, and theoretical

principles of spatial planning and cultural heritage protection. Analysis of spatial planning regulation, cadastral and Land Register data, as well as the surveys of resident’s satisfaction has been used.

The following research methods (approaches) will be applied: the empirical approach (for analysis of theoretical sources of the concept of values, property valuation and spatial planning); quantitative research (for studying and the processing of social-economic statistics, property market data, surveys of satisfaction of residents and spatial planning information). Spatial analysis using Arc Map 9.3 will be applied for depicting the physical location (e.g. borders) of HCR, its PZ and Old Riga (downtown) on cadastral map (background material), permitted land use (residential buildings) and the distribution of residents by building in the HCR and its PZ.

Aspects of the cultural value and its relation to architectural heritage

The meaning of cultural value has developed over time from simple understanding of “the good” and “the evil” in ancient days to the contemporary scientifically empirical concept (including considerations of psychology, sociology, economics, technology, responsibility and ecology) and creating a variety of theories to understand how, why, and to what degree a person things regarding specific values and how values can be estimated and used.

Numerous value types exist: e.g., ethical (moral), doctrinal (religious and political), social, aesthetic (cultural), economic (in-cash), corporative, personal values and environmental values (see European Commission 2007).

A cultural value is essentially associated with the scope of local traditions, territory, the language (dialect) and behaviour, having roots in the “community’s memories of the past” (see Council of Europe 2005).

A culture value may contain “conflicting” elements: material well-being vs. charity; individualism vs. common good; tradition vs. law; local vs. global etc., which makes for a challenge to measure and compare benefit. A foundation of values basically develops in people at an early age, which means “that the environment in which one grows up likely would affect its future beliefs and actions”. Modern Europe, specifying the content of term “cultural value”, alongside with “traditional understanding” emphasizes “culture as a language”, “diversity and sharing within the culture in the international context that define what it means to be a human being”, “recognition of culture of minorities”, “cultural rights – the right of everyone to enjoy cultural values and cultural space” (actualizing discussion

about new type of rights), “need to invest in culture to preserve cultural values for future generations”, “create integrated solution for heritage conservation”, and “prevent violence and neglect on cultural heritage” (see Council of Europe 2005; European Commission 2007).

The term “culture” as a central concept of anthropology represents a human’s distinct experience with symbols from past and creativity in action. An individual’s “standard of culture” emphasizes those values, which the relevant community (e.g. social groups, clergy, politicians, sportsman, celebrities) broadly share (are popular) and provide for behaviour in specific situations (see European Commission 2007).

The European Commission (EC) most precisely characterizes culture as “a treasure or repository of collective memory of nation” or “memory about world’s nations, its dreams, culture, beliefs and expectations” or “steadily growing national wealth”.

However the culture could be a better discriminator than “material” or “structural conditions”, giving reasonable ground to explain why some countries gain a competitive advantage and others do not (see Council of Europe 2005; European Commission 2007).

Intangible or invisible (e.g. identity, local and international recognition, aesthetic, values, beliefs) and tangible or visible (social groups, institutional framework, corporate, technologies, tangible culture, e.g. inherited built environment) elements of culture create cultural space (see European Commission 2007; Williamson *et al.* 2010).

Cultural heritage includes intangible and tangible culture heritage inherited from the past and natural (not man made) heritage, which places responsibility of preservation on the current generation.

On the other hand, the United States of America holds to a more pragmatic meaning of cultural heritage – “a cultural resource”, meaning a systemic approach in use of its potential on behalf of society’s spiritual and economic needs (see Council of Europe 2005; European Commission 2007).

Architectural heritage is the most important part of tangible heritage. In the European context an architectural heritage represents “an unrepeatable stock of history of national science, education and economic achievements”; closely associates with “public physical and spiritual interests and preferences”, “craftsmanship” and “opportunities”, in which museums, theatres, universities and churches “serve as an educational and spiritual centres” and form “cognitive environment for forming today’s new generation beliefs and self-confidence” (see Council of Europe 2005; European Commission 2007).

Overall in the EU the demand for culture is significant: 39% of respondents (from EU 27) have indicated that culture is very important in their lives, associating it with the performance and visual arts and architectural heritage (see European Commission 2007).

The market value

An opposite cultural value – a significant and measurable type (or concept) – is market value. Does a link exist between culture and market value? Can it be measured and to what degree?

The market value (the eventual sales price) of an asset (property) has been estimated in-cash (sum of money) by assessing the current supply and demand interactions in the market. Actual market transaction prices can provide clear evidence of the most probable market value of a similar property (see International Valuation Standards 2011; Appraisal Institute 2008).

Market value shall be estimated by application of three, well developed, practically tested and professionally recognized assessment techniques (approaches): the Market Approach, the Cost Approach (applied only on construction) and the Income Approach and its derivations (methods) (see International Valuation Standards 2011; Appraisal Institute 2008).

They are all based on the economic principles of price equilibrium, anticipation of benefits or substitution. One or more valuation approaches may be applied in order to create an opinion on the value of particular property on the defined (market or non-market) basis of value (see International Valuation Standards 2011; Appraisal Institute 2008).

Market value has been taken into account also in other, connected to real estate (RE), broadly used types of values (e.g. value for taxation or mass value, forced sale value, fair value, compulsory value for alienation for public good, etc.) (see Appraisal Institute 2008). Valuation process contains a range of procedures and requires professional skills (theoretical and practical experience) and a collection of large variety of information on subject property (legal, physical characteristics, market data, construction costs, financial data expertizes, etc.).

Assessed value represents the probable sales price of property on specific datum. It can be said that valuation is more “of an art, not precise science or calculation”. This statement can be applied more to the choice of the right valuation approach (more than one is recommended) and reconciliation of value (selection of right comparables and factors, its degree of impact on assessed value for developing a final opinion on specific value) than on how value would be arrived at.

The factors, which affect the market value of real property (RP) the most and which shall be examined in valuation applications, are: location, property interests (property rights) and the highest and best use (probably current use of property) (see Appraisal Institute 2008). The roots of three come from classical economic theory, where economists and philosophers over time, analysing and rating earlier knowledge, have developed a variety of pricing theories and concluded (at the beginning of industrial era) that market value was probably representative of the real (current) economic potential of good (property) (see Appraisal Institute 2008).

Location influences the value of realty the most due to specific physical features of land: strong (immovable) connection of location and structures place on with local territory and landscape; limited in size (also in supply) recourses due to limited physical size of surface of the Earth. The location very strongly collarets with the permitted use (eventually “the highest and best use”), where “the highest and best use” (probably permitted use in the zoning) may represent the highest economic potential of property in cash – a market value (see Appraisal Institute 2008).

All properties and their objects (land and buildings) are classified into four main groups of uses with more detailed sub-classification taking into account their physical and economic characteristics, data to be collected, and the approach applied in valuation: residential, industrial, commercial and public and rural properties. It is observed that precisely valuation of residential properties are requiring valuers to collect large amount of very detailed information (characteristics) about land use and premises, effective age (last remodelling), etc. (see Appraisal Institute 2008).

Property interests represent corroborated rights of ownership (control, use, occupation, selling) placed on land and buildings. Their impact on market value depends on degree. In many countries the ownership, as a fundamental right of people, is well protected by law (usually in the constitution), establishing sustainable ground for private initiative (will) in purchasing, using and investing in RP.

The opinion exists that property rights (that an owner may use owned property as he wants) are obsolete, however modern concept may limit private ownership rights throw numerous legal instruments: zoning, changing the use of land and buildings, subdivision, the construction code, the removal of current construction, eminent domain, easements and charges (see Powelson 1987; Williamson *et al.* 2010). These factors also may impact market value (see Appraisal Institute 2008; Williamson *et al.* 2010).

Since the environmental movement (with R.Carsons’ Silent Spring, 1962) brought about a “revolution in land use

control”, a range of mechanisms (e.g. zoning regulation, building codes, environmental policy, the building of digital property data systems, regulation of “limitation of uncontrolled land use and property rights”, public involvement in local development, etc.) has been implement in many countries to prevent unexpected “failures of property market”(see Blackledge 2009; Appraisal Institute 2008).

The maintenance of the value of RP is a part of modern land administration, considering policies and practical instrument (e.g. tax reliefs and financial instruments to support owners of heritage properties) to support the capture of value. International organizations (e.g. International Federation of Surveyors, Royal Institute of Chartered Surveyors, the UN, European Council, EC, etc.), have made outstanding contributions in the development of the general framework of land related policies (see Williamson *et al.* 2010).

Also ICT (particularly GIS solutions) has changed the manner of planning, developing more digitalised registers (e.g. Land Register, Commerce Register, Cadastre, Building Register) which have been used efficiently also in valuation applications (see Barvika *et al.* 2013; Appraisal Institute 2008).

Requirements for valuation of cultural heritage

Immovable cultural heritage includes objects of building art, which are considered worthy of future preservation. Those properties like other goods have economic (in cash) value; they comply with common characteristics of RP (location, use, rights, as well as limited supply) and have great potential in the property market. Do methodologies exist for assessing the market value of particular RP with features (easement) of “cultural monument”?

The International Valuation Standards (IVS), worldwide the most respectable professional guidelines for asset (also real property) valuers, contains guidance (requirements, definitions and considerations) when valuations are undertaken of “the interests of historic real property”. IVS recognizes three groups of historical heritage as defined in the UNESCO Glossary of World Heritage Terms: Monuments, Groups of buildings and Sites with their sub-classifications. Cultural property:

- is publicly recognizable (with cultural and economic importance) inscribed in the World Heritage List or other recognizable registers;
- can be officially unlisted yet, but may comply with at least one of the cultural heritage criteria (defined in the UNESCO World Heritage Convention (Convention)) and the test of authenticity. The

Convention has set the criteria for awarding the status of world's heritage site and recording this site in the UNESCO World Heritage List. Since 2004 the set of ten cultural and environmental criteria shall be used for recording of subject heritage sites therein (the subject heritage site must meet at least one of ten criteria).

It has been stated in the Convention, that the protection, management, authenticity and integrity of properties are also an "important consideration for recording" and since 1992 as "significant interactions between people and the natural environment" have been recognized as cultural landscapes (see International Valuation Standards 2011; Deveikis *et al.* 2008).

Valuation process of cultural property in urban areas alongside with common characteristics requires collecting of a large number of characteristics relating to specific features of cultural objects (Table 1).

This information has been collected and used for the application of valuation approaches and the reconciliation of values (determination of value added/discount factors and their values, usually in %, for performing comparisons).

IVS supports the application of three valuation approaches "as described in the standard", recommending for valuation of historical buildings, as a principal approach (most recommended for construction), the use of the Cost Approach due to considerations "dealing with older (unique) construction methods, materials not anymore applied, building, renovation and remodelling standards and use of modern materials in older constructions". Therefore information on restoration, restrictions and maintenance shall be collected, scrupulously analysed and applied for valuation of historical buildings. IVS recommends the use of knowledge and expertise from other heritage related

spheres to study the symbolic (unique) status (e.g. museums, monuments, historical event places), service potential (restrictions in use), and originality (unique style and materials requiring high financial contribution) (see The Cost Approach... 2012; UNESCO 2012).

Alongside with the Cost Approach, the Income Approach shall be applied when historic property is fully utilised for commercial purposes (produces incomes), as well as if its "distinctive physical features" may contribute to the production of future income. The Market Approach, considering the mutual comparison of the subject historical property with (several) comparable sales, is recommended for estimation of land value, reconsolidation of estimated value and when information on costs and financials are not available. In case of the complete remodelling of a building (more than 50%), both, current construction costs and cash flows, may be used.

One theory says that the application of the Cost Approach may bring the most precise (probably the highest and most representable of comparable properties in relevant market area) value of older (unique) construction than the application of other approaches. However the question still arises: does it represent market value for older (unique) construction and what criteria and to what degree should we use it to reconcile value? In real markets many sales take place with non-renovated historical buildings, requiring additional outstanding investments from the new owners in the restoration and future maintenance of the buildings to keep them "in authentic shape". These investments are probably far larger than the real market value (probable sales price). Although for buildings (e.g churches, cemetery chapels,) that are not subject to sale the Cost Approach would bring a value that would represent the investment needed for restoration (see Blackledge 2009; Appraisal Institute 2008).

Table 1. The most important characteristics and information required for valuation of cultural property and the application of approaches to valuation (International Valuation Standards 2011; Standard on Mass... 2012; Valsts zemes dienests 2013)

Common characteristics (features)	Specific required factors	Information for application of valuation approaches	Other important factors which may limit or restrict the use
<ul style="list-style-type: none"> - Historic, architectural and/or cultural importance; - The statutory or legal protection to which it may be subject (restrains, placed limitations on use, disposal, etc. 	<ul style="list-style-type: none"> - The legal and statutory protections to which they are subject; - The various restraints upon their use, disposal, possible financial grants; - Potential income; - Tax rate; - Tax reliefs. 	<ul style="list-style-type: none"> - The costs of restoration; - The costs of maintenance; - Comparable sales; - Potential cash flows (for income producing properties). 	<ul style="list-style-type: none"> - Legal measures to safeguard historic property; - Intensity of use; - Alteration of a historic property: <ul style="list-style-type: none"> - restrictive covenants that apply to the land regardless of the owner; - preservation; easements to prohibit physical changes; - conservation easements that limit the future use.

An open (yet unanswered) question in valuation is: can special value (probably cultural value of a special buyer/owner) also be a valuation attribute (e.g. value reconsolidation factor) and how (to what degree) can it be measured? Many countries (e.g. Lithuania, France, the United Kingdom and Russia) have elaborated specific recommendations (manuals or guidelines), describing methodology for how the features of cultural value can be taken into account in their national appraisals (see Blackledge 2009; Ministerstvo Kul'tury Rossiyskoy Federatsii 2005). In 2013 Latvian National Certification body "Latvian Association of Property Appraisers" adopted IVS 2012 as a Latvian national valuation standard, adopting also recommendations for valuing cultural heritage. However, still questionable is the use of the recommended Cost Approach in valuation application: public data bases do not contain complete information on the quality of buildings and required data on construction costs of historical buildings (see Cabinet of Ministers 2012).

Marketability of cultural properties

Always disputable is the question as to how the features of "an intangible value" impact the market value of RP and what kind of considerations must be taken into account to encourage a potential purchaser and owner to act in favour of acquiring (and maintaining) a cultural heritage building. Does a market of cultural properties exist and what is this market area – local, national or international? Does cultural value interact with market value?

Cultural properties (e.g. mansions, castles, manners, tenements) alongside other immovable goods are the subject of transactions (sales, rents, exchange, and alienation) in an open property market (an environment in which goods and services trade between buyers and sellers through a price mechanism) and where market value is the most probably paid price for an asset (see Blackledge 2009; Deveikis *et al.* 2008).

In many countries with outstanding cultural treasures (France, the United Kingdom, Italy, Spain), cultural RP has been considered as a segment of higher class (expensive to maintain, exclusive and prestigious) addressed clients (nowadays very often foreigners; both individuals and companies) whose criteria for buying property is related to its prestigious location, uniqueness, reputation, age, aesthetic value, as well as size of land plot or building. The market of cultural properties crosses borders and becomes international. Also in the valuation applications of cultural heritage, "comparable properties" due to its specific features (e.g. age and architectural style, the author) have been

discovered in wider territory (entire state, abroad), than local. In practical evaluation of cultural heritage usually internationally well-known companies are involved; offering to client's complex services and expertise (e.g. Colliers International, Knight Frank) (see Blackledge 2009).

Very often the physical condition of a selected item has not been taken into account; also movable items (historical interior pieces, furniture, porcelain, arts) can be the subject of such deals. That clients are able invest for their personal needs, however, also looking for returns: consider change current use (e.g. mansions and castles transfer into hotels, quest houses) or complete remodelling to modernize shape, planning and engineering nets of structures turning attention on culture as a profit producing resource.

The selling period of historical properties may be longer than for other (mass production) RE; however current owners expect it and are able to wait and negotiate on discounts. Since the 2008 economic crisis the structure of purchasers of European historical RP has changed, attracting more and richer clients from Eastern countries, the Middle East and Asia. Real property continues to be the most trusted long term investment, where the "cultural feature" may be a "growing through time" value added factor. However numerous historical properties are listed, but still not sold.

The historic centre of Riga and its protection zone

The HCR is a World Heritage Site 852, inscribed in UNESCO's World Heritage List in 1997. The World Culture and Nature Heritage Commission has recognised the unique universal value of the Riga Historic Centre, its medieval and later urban fabric and outstanding quality of public space. HCR and its PZ occupies an area of 435 hectares (1.4% of 307 sq. km. of territory of Riga), encompassing in total about 62 000 (in 2011) inhabitants, and 4000 buildings of various age and style, which are used for residential and commercial functions (see Valsts kultūras pieminekļu aizsardzības inspekcija 2015; Saeima 2011; Riga City Council 2006c).

More than 200 cultural monuments (forming a total of 8584 registered units in the entire country) of State and local significance (mostly buildings) are concentrated within limits of the compact territory of the HCR and its PZ; however other numerous urban fabrics located in this area also have outstanding architectural qualities and contribute to common design. It has been estimated that the Register of cultural heritage contains almost 1700 different values (typological groups) of historical heritage objects, which are located in the HCR and its PZ.

Both cultural and other types of buildings in the HCR and its PZ have strict regulations for their exterior and interior design and options for complete (or partial) removal of current construction. Initiation of new development on un-built or partly built land plots undergoes strict institution screening and can be subject to archaeological excavations and public review in connection with the Riga Master Plan, Master Plan of HCR and its PZ, construction law, public space qualities and the interests of people (see Valsts kultūras pieminekļu aizsardzības inspekcija 2015).

Public space (outdoor area) is owned either by a municipality or the state and is accessible to all: residents and guests. Public space infrastructure includes parks, squares, sidewalks and pedestrian lanes. Traffic is limited within the central part of the HCR (the Old Town); a large part of the streets and sidewalks are modernized and well-connected with the common network of streets of the city and its infrastructure; bike trails promote transport diversity and outdoor activities.

The HCR and its PZ is an important national culture, education, political and business area: the Latvian National Opera, numerous theatres, museums, higher education establishments, the best high schools, embassies, governmental buildings and the headquarters of international business are located there.

The most recognizable symbols of Riga having historical features and enjoying international recognition (Boulevard Cycle, the House of the Blackheads, Art Nuveau architecture, medieval churches “with the roosters on the top”, the Panorama (silhouette) of Riga) are located in the HCR and its PZ and probably symbolize Riga the most (see Riga City Council 2006a, 2006c).

Cultural heritage makes Riga very attractive for international tourism, promoting economic growth (GDP), as well as for investments particularly in the hospitality industry located in the HCR (hotels, guest houses, hostels, etc.). The Riga City Council in promoting tourism has initiated activities (e.g. Live Riga) to popularize Riga abroad. In 2014 Riga was one of the European capitals, attracting almost a million tourists on the backdrop of large scale international culture events (e.g. World Chores games).

The residents perceive Riga’s cultural treasures as following: 39% of respondents recognize the importance of Riga’s historical heritage; 30% associate it only with Old Riga (historical downtown), highlighting the necessity of popularizing it also in local level; 42% of respondents associate the HCR only with its attractive location: city centre, working place, good education, transportation network, and social-economic infrastructure.

The following were mentioned as the most disturbing problems: the presence of Riga’s Freeport in the city, poor public transportation, noise and air pollution, lack of parking lots, playgrounds and green areas (see Latvijas Zinātņu akadēmijas Ekonomikas institūts 2011).

According to the Census, since 1989 the number of residents in the HCR has decreased by almost 40% (11 790 in 1989; 70 192 in 2000; 62 000 in 2012). However, the current distribution of residents in the HCR is regular in all locations (Fig. 1).

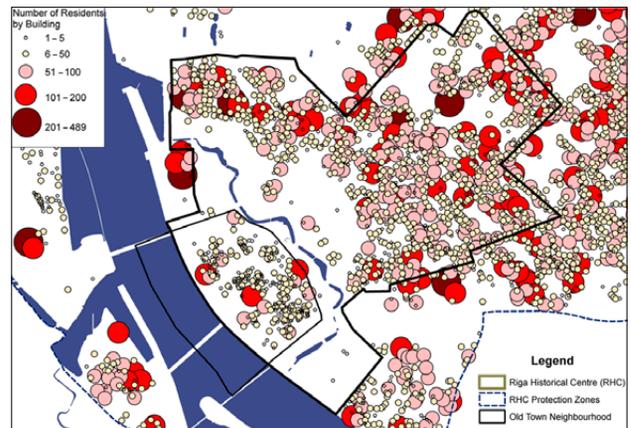


Fig. 1. Distribution of residents in the HCR and its PZ

Business function is well developed: this area contains more than 110 000 work places. About 40 new multi-functional buildings have been built since 2000 (e.g. 28 new buildings have been registered since 2006) (see Cabinet of Ministers 2012).

Zoning regulation

Zoning (territorial plan) represents economic potential (use) of land and structures located therein. Land use planning for the HCR and its PZ is well supported by solid normative regulation due to its status: the Master Plan of Riga (2006–2018), the Master Plan of HCR and Its PZ (adapted by a regulation of the Cabinet of Ministers in 2009) and supplementary by-law of Riga City Council. The Master Plan of Riga and its supplementary documents contain a general framework (new construction, restoration, remodelling), allowed parameters for plots and buildings (size, volume, number of floors, height, sub-division, minimum plot, free area, proportions of public space and street, etc.), spatial plans for permitted land use and protective zones and by-law regulation. The Master Plan of HCR and Its PZ, and the by-law of the Riga City Council has been applied alongside with general regulation of the Master Plan

of Riga for the development of new plots, reconstruction and remodelling of current structures (e.g. size, parameters, distribution and use of area, used interior and exterior materials, interior and exterior architectural features), planning and organizing of public space (to ensure its historical qualities and promote its use). The most important criteria (values) putted ahead for implementation of the current zoning for the HCR and its PZ are: prosperity for its people, main impulse in economics, history and culture, open space quality and environment.

Zoning allows mixed land use in the entire HCR and its PZ to promote the diversity of perspective land use and in the remodelling of current structures, sets provisions (proportions in %) for public space, parking lots and street area. In mixed territories land and buildings (mainly multi storey) can be used for apartments, business, various services, residential buildings (in several territories low-storey buildings), allowing business and service spaces on the lower storeys. The proportions of the various types of use vary in different locations and can be irregular for residential function: Central building territories with small proportions for dwellings (40% and less – it can vanish) and Central building territories with big proportions for dwellings (40% and more – will provide also high living standard) (Fig. 2; see Riga City Council 2006c).

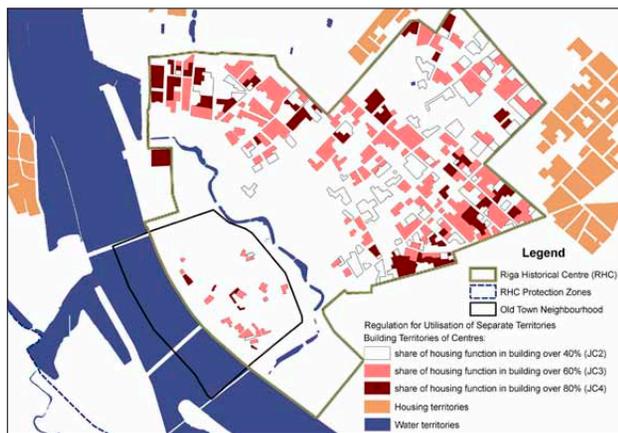


Fig. 2. Distribution of residential land (by building) use in the HCR. Background material – cadastral map

The breakdown of use of territories (2006) has shown that approximately 20% from all building space can be used as residential; 2% of entire territory is used for green areas (probably contain existing parks and squares); 4% of territory is free (probably un-built plots or plots with poor construction), making difficult to develop new green areas and new construction (probably also rising demand and prices in vacant land (Riga City Council 2006c).

All planning documents are available in website of Development Department of Riga. Riga City Council has developed and operates its GIS system “RIGIS”, which helps support the planning and function of the city. “RIGIS” is publicly available and contains cadastral and the latest ortho-photo maps, but it is not fully integrated with other planning related databases and does not ensure efficient support and monitor of such complex (holistic) function as is planning. However public trust in the process of spatial planning and construction remains very low due to continuous common social-economic problems and slowing restructuring of public administration system (e.g. decrease of procedures in building data registration; change of land use; subdivision; introducing of one-stop agency in building process), grey economy, increasing segregation and week court capacity. The situation will probably become better with the implementation of the Latvia’s integrated GIS. Since 2009 several of Latvia’s public authorities have been developing their GIS systems (such as Development of the State Land Service’s Geospatial Data Geospatial Information System” (SLS GIS), “Information System for Administration and Supervision of Territorial Development Planning of Local Governments, Infrastructure and Immovable Properties” (TDPIS), Building Data Information System (BIS)) using funding from the European Regional Development Fund for the purpose of complying with the European environmental policies (e.g. requirements of the INSPIRE directive) and also to solve planning problems such as insufficient development of property data information systems, their interoperability and lack of integration, etc. National GIS will introduce more e-services and decrease the administrative burden for planning stakeholders (public, private, citizens, associations, etc.). Also, in the implementation of the mass (cadastral) appraisal concept, such data basis as data base of construction costs (will be accessed from BIS) and actual rents of real estate shall be developed and used in the planning and monitoring of tenancy and the application of valuation and will benefit in value capture of property (see Barvika *et al.* 2013; Williamson *et al.* 2010).

Historical buildings

The RHC and its PZ contains about 4000 buildings of different use, which contain approximately 70 000 different use groups of premises (also residential). About 200 buildings have outstanding historical quality; however other constructions also contribute in forming historical landscape. The rest of all historical buildings are privately owned (denationalized in land reform). After denationalization many residential buildings were exempt from tenants, but then sold and transferred into commercial real estate (Fig. 3).



Fig. 3. A typical mixed use area in the HCR (Elizabetes Street) with well-maintained, fully occupied multi-storey buildings built at the beginning of 20th century

Latvia allows shared ownership: buildings and the land underneath can be owned by different owners. It makes property market and construction activities more complicated and increases the administrative burden (see Cabinet of Ministers 2012; Latvijas Zinātņu akadēmijas Ekonomikas institūts 2011).

Complete statistics on a building's current physical condition, use and occupancy, particularly in the HCR and its PZ are not available. Overall in Latvia, 25% of all residential buildings were built before 1945 (25% of them before 1919) having a potential compliance with criteria (e.g. age) to be assigned with the status of heritage. Cadastral data on buildings is incomplete: current age is missing, 60% of buildings were last updated in respect to their physical condition prior to 2004. The average depreciation of buildings in the HCR is more than 50%; almost 90% of buildings are old: built before 1940; less than 1% of all construction has taken place since 1990. Cadastral statistics have shown that Riga's building stock contains a large number (about 50%) of unclassified (probably small size, old, poor quality subsidiary) buildings, which have a lower value and very often contribute to the poor aesthetic quality of open spaces and decrease the value of adjacent properties. Public data basis does not contain actual data on occupancy, present use and the rent of buildings and spaces (see Cabinet of Ministers 2012; Valsts vienotā datorizētā Zemesgrāmata 2014).

Public opinion regarding the condition of residential building stock (2013) can be characterized with the following: 29% of respondents were not satisfied with the size of the living area and amenities of their residence and the physical condition of building, but 62% respondents were considering moving to suburban dwelling due to environmental reasons. In 2013 the Riga City Council

estimated that in Riga: 109 buildings are unsafe (have "slam status" with an average depreciation of 80%); 138 buildings are not well-maintained and partly occupied; 40 buildings are not occupied and have been recognized as "a degraded object of public space"; 165 buildings have undergone activities to ensure their structural strength; 500 buildings (in both, private and municipal ownership) meet only minimum maintenance criteria, have poor visual quality and not fully occupied, while municipalities continue to struggle with the shortage of social housing. Public databases do not contain information on construction costs (new buildings, restoration) in regards to particular territories, which makes it impossible to assess overall financial investments in building maintenance (see Rīgas dome 2011; Pūķis 2008).

The preservation and restoration of historical buildings is becoming increasingly important for the construction sector in entirety of Europe, requiring new competences, skills, education and technologies. A new challenge for historical buildings is the adjustment to requirements of energy efficiency and environmental accessibility, as required by EU directives. The building sector overall is very important for European Union (EU) economy. For example, the construction sector (EU27) creates almost 15% of European GDP, provides 8% from all working places, but buildings consume 40% of the energy. 120 million people in the EU live in 55 million of residential buildings built before 1945 (26% of residential building stock of EU) (see Blackledge 2009; European Commission 2007).

Does market of cultural real property exist in Riga?

The availability of statistics, evidences and researches regarding property market activities particularly in the RHC and its PZ is very low. The most trustworthy public data base is the Land Register; it allows access to general statistics (number of registered sales and secured property rights for a particular administrative unit), however the search option features of "Encumbrance State or local importance cultural monument" or "age of building" currently are not provided. The global recession has also affected the RP market in Latvia: sales have decreased by 40% (2008–2011) due to Latvia's social economic decline (international debt, rising unemployment and insolvency, decrease of salaries, shrinking construction activity and internal demand). Since 2011 the Latvian property market has experienced moderate and stable growth (an average of 2–3% annually). In 2011 amendments to the Immigration Law were adopted allowing foreigners obtain resident status by the

purchase of residential property (in Riga with a value of no less than 142288 Euro, but since 2014 the minimum value has been increased to 250 000 Euro) and this has contributed to the residential market recovery, especially in Riga and its metropolitan area, raising public discussion about its risks and consequences. In 2011–2012 the total revenue from RP sales in Riga was 1 000 229 million Euro (20% of incomes composed deals where foreigners were involved). Analysis of client's preferences has shown that the most expensive properties are located in a compact area of the HCR (downtown and Art Nuveau territory). Paid sums for apartments in the centre of Riga are within the limits of 800–5000 Euro/sq. m: depending on the location, physical condition and remodelling option for the property. The second most common are apartment sales. The area with the highest demand is the Art Nuveau territory. The average area for listed apartments in the central part of Riga is about 60–100 sq. m, however, a survey of current demand has shown that potential local clients would prefer less expensive (would pay less than average amount in the HCR), well-furnished, small size (1–2 rooms) living spaces, which are very rare in the HCR. Therefore, this confirms the assumption that most sold properties in the RHC are exclusive; do not comply with average current local demand, and targets richer (probably international) clients. Potential local clients probably are single persons (young professionals), whose current preferences are work, education and (probably) entertainment (Cabinet of Ministers 2012; Valsts zemes dienests 2013).

Also mass (cadastral) values, which conceptually are based on officially registered sales prices, confirm that commercial and residential RE (buildings and spaces) located in the central part of Riga have the highest values in the entire country. Furthermore, sales analysis (2011–2012) has shown that very often older buildings (built before 1920, located in central part of Riga, with depreciation of 60% or more) have a higher value than younger ones, confirming the assumption that an exclusive location, its “cultural content”, should probably be a value reconsolidation increasing factor (Cabinet of Ministers 2012).

Today large numbers of privately owned historical buildings (e.g. multi storey Art Nuveau buildings) are refurbished, well maintained and occupied (e.g. rented out for wide range tenants: local and international business, foreigners, etc.). However RE investors do not prefer to invest in wooden (low-storey) heritage buildings: they are difficult to maintain, expensive to remodel and have no option of demolishing the building or changing its physical size (Fig. 4).



Fig. 4. Typical contrast in the HCR: two adjacent properties with absolutely different land use potential due to on land located current constructions. Wooden building must remain in its current physical parameters, which makes wooden heritage buildings not interesting for property markets and developers

Problems affecting the development of historical centre of Riga and its protection zone

The level of complexity and holistics of activity planning can be measured. All identified problems can be divided into the following groups: global (common, social economic), technological, spatial planning (problems addressed urban design, public space and its infrastructure), political (institutional and systemic problems) and cultural (institutional and political (corporate) culture), (see Table 2).

Depopulation, which has been emphasized as the most important problem addressed in the spatial design of the HCR and its PZ, has causes that are global and social economic – that cannot be addressed as a problem only particular to one area and cannot be solved by zoning regulation, the building code and the promotion of property market. It requires deeper analysis in regards to how it can be stopped and how planning function can promote it.

Current zoning documentation of the HCR and its PZ and its supplementary documentation contain all the required spatial and descriptive documentation in relation to the development of historical properties. Typical problems addressed in the planning and remodelling of historical buildings mostly relate to administrative burden (e.g. numerous procedures in the planning process, property data registration, etc.) and complicate the decision making process involving shared ownership rights, week financial aid and instruments for owners in renovating historical properties, etc. (see Ingram, Hong 2012; Williamson *et al.* 2010).

Table 2. The most important characteristics and information required for the valuation of cultural property and the application of valuation approaches

Group	Specification of the problem	Cause	Solution
Global (common, social economic)	<ul style="list-style-type: none"> – Depopulation; – Global (local) political and economic instability; – Cultural differences (e.g. corporative culture and planning culture); – Mobility of work and people; – Change of living standards; – Change in personal values and preferences (technological impact); – Unbalanced development of property markets (insufficient, adequate, residential market supply for local purchasers); – Insufficient purchasing power of residents; – Limited alternative work options (e.g. distance work); – Internationalization of local market. 	Global and national (local) social economic and political impact, its trends	Global and national (local) social economic recovery, Common political stability
Technological	<ul style="list-style-type: none"> – CT impact on common (people and institution) manner use, consume, collect, update, exchange information; – Change in manner of planning (application of GIS solutions). 	Global ICT development trends, its implementation state in national (local) land administration	<ul style="list-style-type: none"> – Adaption of global ICT trends in national property data maintenance, exchange, update and publishing; – The use of GIS solutions in planning
Spatial planning problems (addressed urban design, public space and its infrastructure)	<ul style="list-style-type: none"> – Unbalanced developments of territories (contrasts, empty buildings, irregularly developed infrastructure); – Unbalanced supply and demand of residential space (e.g. in size, financially available for local clients); – Deserted buildings (high administrative burden in planning, construction, remodelling and removal); – Insufficient social infrastructure (lack of places for kindergartens, parking options, playgrounds, parks); – Insufficient “family friendly” open space (risk for children safety; lack of children’s playgrounds); – Pollution (poor air quality, noise); – Unsafe public space (high crime risks, low trust in police). 	Local spatial planning (zoning) in connection with local property market trends (demand/supply) and common (national) housing policy	<ul style="list-style-type: none"> – Monitoring of implementation of spatial regulation (GIS based solutions); – Public involvements (use of bottom-up planning manner)
Political (institutional and systemic problems)	<ul style="list-style-type: none"> – Complicate (non-transparent) building condition (long planning phase, construction process, complicate building demolishing involving property data updating); – Non-integrated, property data system (e.g. separate Land Register and Cadastre, limited amount of information about architectural heritage are available on-line (e.g. archive)); – Complicate property rights (separate rights in land and buildings make difficult property transaction, investments, remodelling, etc.); – Insufficient policies in support of the owner in cultural monuments maintenance and renovation (only 8% received state financial aid for renovation. Regulation of public procurement (lower price) limits attracting of ES funds for ensuring of energy efficiency of residential real estate in the HCR); – No tax reliefs exist for owners, who maintain, occupy, and invest in cultural residential property (less income tax, discounts for loans). – Slowing housing policy (e.g. first residence for young families). 	Current state of national land administration and real property policy	Adjustment of land administration instruments (legislations) and its supportive system (institutions and registers) to current internal demand, as well as international trends
Cultural (institutional and political (corporate) culture)	<ul style="list-style-type: none"> – Low common public trust in institutions, politicians, as well as in spatial planning and construction process, property market activities, efficient use of public resources (collected taxes); – Unfair social policy (access to social residence and distribution of financial support). 	Common social economic environment regarding publicly supported and shared values	Changes in common value system (from political to individual)

Conclusions

The culture, elements of cultural space, as well as considerations regarding its value positive social-economic impact are fully integrated into the modern framework (from the international level to the local) of strategies, concepts, policies and normative regulation (responsibilities) with the purpose of preserving cultural heritage (e.g. a limited number of unique historical sites and structures), taking into account considerations of human rights to maintain their identity, “sharing with and enjoy the culture”, as well as a balanced use of the potential of the cultures resources on behalf of society’s spiritual and economic needs. However, its practical implementation has faced such problems as: insufficient administration capacity and financial basis; incomplete information on cultural objects; occurrence of unforeseen global risks (common social economic decline, political instability, shifts in priorities and preferences, etc.) and technological impact (e.g. use of technologies for heritage data collection, process and use). In near future exactly implementation of common framework of national digitized spatial data infrastructure (compliance with requirements of INSPIRE directive and implementation of GIS solutions particularly in spatial planning) will be challengeable also for heritage protection sphere due to large number collected, but not standardized and published yet information, which is important and widely used in spatial planning, construction process, estimation of property value, arts industry and science, general education, property management, avoiding of failure of property markets, etc.

The link exist among cultural and market value: sales with heritage properties take place in property markets around the world, as well as professional guidelines (e.g. valuation standards, methodical applications) are developed how to asses value of properties when valuations are undertaken of “the interests of historic real property”.

The location factor is most crucial factor in estimation of any property’s (e.g. architectural heritage) market value (the most possible sales price, if its sale would take place in valuation day) due to impact of physical nature of the Earth – strong connection of land parcel and placed on it buildings with local neighbourhood and its common social economic context and perspective. In the sales with unique (mostly in poor physical condition) architectural heritage, such values impact factors as “symbolism”, “unique style”, “prestige location”, etc., has been considered as a most important, sales promotional factor for clients which personal preferences consider (put a head) “aesthetic value” (special or cultural value) of object or location. Probably “prestige location” can be sale facilitating factor for old, out-of date, buildings in prestige locations (e.g. HCR).

The market area of outstanding architectural heritage properties is usually wider than local and can cross borders and can be addressed to international (exclusive) property market share.

The Cost Approach may bring the most precise (probably highest and most represented in comparable properties in relevant market area) value of older (unique) construction, than application of other approaches. However still disputable (unanswered) questions are: what criteria and in what degree should be used for reconciliation of final opinion on value; does assessed value represent market value of older (unique) construction; does special value (probably cultural value of special buyer/owner) can be also valuation attribute (e.g. value reconsolidation factor) and how (what degree) to measure it. Practical application of Cost Approach faces such problems as insufficient (or lack) of trustful information on expenses and costs of maintenance of older buildings and its restoration.

Currently unused historical buildings are under risk of being preserved and occupied. International investments in real property have decreased due to the global crisis, but recent activities (the selling of “residence permissions” for foreigners) are addressed mostly on secondary market of residential spaces (probably well-furbished apartments).

The planning is holistic activity of the public sector and requires daily cooperation with numerous institutions and other stakeholders, appropriate data bases, resources and skills, implementation of technologies, following global social political trends, public involvement and continuous monitoring of the balance of planning related interests (e.g. private, entrepreneurship, institutions, environment, heritage protection, realtors).

All problems in support of residential function (e.g. survival of cultural heritage buildings) in the HCR and its PZ can be divided into two basic groups: spatial planning related problems (addressing the design of urban space and its infrastructure and other (social economic, systemic and institutional culture) problems. Depopulation is a complex (common or global) problem whose solutions are more complex than spatial planning can provide.

Its consequences in areas such as HCR are low demand of residential space (low market and construction activity), necessity to attract international capital (investments) to support local property market, increase of quality of building stock (unpopulated buildings), increase of quality of architecture and public space (loss of cultural values); heterogeneous development of public infrastructure, growing pollution, less security (rising crime and violence).

Current planning documentation of HCR and provides sufficient information and available on-line, but inform-

ation is not “GIS based” and integrated with other state registers and social-economic information. Today spatial planning requires more smart ICT solutions (particular GIS) involvement in spatial planning data development, publishing, updating and exchange.

In current the mechanisms for value capture of architectural heritage in the HCR and its PZ exist, but they are not fully implemented due to insufficient financial fund (e.g. lack of state budget funding for restoration of historical buildings, slow implementation of housing policy, s) and put a head other priorities (e.g. fiscal stability) in countries social-economic development than fastening of implementation of activities supporting preservation of residential architectural heritage (e.g. housing policy, creation of tax reliefs for owners of cultural monuments, promotion of local residential markets).

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IŠŠŪKIAI, SU KURIAIS SUSIDURIA RYGOS ARCHITEKTŪRINIO KULTŪROS PAVELDO APSAUGA

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Santrauka

Istoriniai pastatai – matomiausia kultūrinio paveldo dalis. Jie išryškina šimtmečiais kurtą Latvijos istorinį kraštovaizdį. Dauguma tokių pastatų įrašyta į Latvijos istorinio kultūros paveldo sąrašus. Vis tik praktiniai jų apsaugos mechanizmai (nuosavybės apsauga, priežiūra, atnaujinimo galimybės), o kartu ir ekonominis potencialas dar nėra visapusiškai įvertinta.

Ar yra kultūrinės vertės ir rinkos vertės tarpusavio sąveika? Kokie veiksniai turi įtakos Rygos istorinio centro urbanistiniam planavimui – ar tai, pavyzdžiui, buvimas *UNESCO* pasaulio paveldo sąrašė? Bandoma atsakyti į šiuos klausimus, aptariami Rygos architektūrinio paveldo vertybių apsaugos srityje kylantys iššūkiai.

Reikšminiai žodžiai: sukurta kultūrinė aplinka, istoriniai pastatai, kultūrinė vertė, rinkos vertė, istorinis Rygos centras, *UNESCO* paveldas.