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The Options of Project Financing and Funding for Retrofitting Works as A Hybrid Approach (HA) on Conserving The Historical Building in Malaysia

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ABSTRACT

Retrofitting the historical buildings in Malaysia is considered new since the prominent retrofitted historical building was open to public in 2005. It is known as Kuala Lumpur Performing Art Centre (KLPac). The transformation gives new looks externally and internally to the buildings as well as additional of new spaces inside it apart from reusing back the original structures and façade accordingly. As result, retrofitting mechanism is considered as a Hybrid Approach (HA) in conservation works. Strong cash flow and funding is vital and the key essential to a successfully retrofitting historical buildings. Therefore the objective of this paper is to identify the project financing and funding options for retrofitting works on the historical buildings in Malaysia. Site visits, case studies, identification of retrofitted historical buildings, reviewing secondary data and one to one interviews were done for this research.

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INTRODUCTION

In general, every project needs funding in order to achieve certain targets or goals (Chang, T.C., P. Teo, 2009). The target normally will be based on the idea or project brief that has been designed and interpreted after few session of discussion between the selected parties of the project (Harun, S.N., 2011). A comprehensive project brief will have a clear direction on how the project will be undertaken until the completion of the project as planned (Wang, H.J., Z.T. Zeng, 2010). The aim of this paper is to determine the available options of project financing & funding for retrofitting the historical buildings in Malaysia.

This research was first carried out by identifying the prominent retrofitted historical buildings in Malaysia as case study followed by site visits to retrofitted historical buildings in Melbourne & Greeter City of Geelong, Australia. The options of funding and financing sources for retrofitting the historical buildings was determined by looking at current scenario in project funding and financing from secondary data and interviews.

Ontogenesis of Retrofitting Mechanism on Historical Buildings in Malaysia:

Based on observation, site visits and interviews, retrofitting is considered as new mechanism and style in the architectural platform although it is originally came from electrical engineering ‘method’ of plugging in new system that is not available during the original construction (Dixon, T., M. Eames, 2013). Therefore by retrofitting the historical buildings, the combination of the styles and materials will creates the dominant and subservient style that then creates a new overall façade looks (Cantell, S.F., A.L. Huxtable, 2005). Thus, it can be considered as a Hybrid Approach (HA) in conservation works. The example of successful retrofitted buildings in Australia could be seen in Melbourne & City of Grater Geelong.

Kuala Lumpur Performing Art Centre (KLPac), is the best example of successful retrofitted historical buildings in Malaysia. KLPac was formally a dockyard for locomotive trains of Malayan Railways (KTMB) and was built in 1800 by the British. The trains dockyard then officially became the Kuala Lumpur performing art center in 2005 after it undergo retrofitting construction in less than 1 year by YTL Corporation. It used a Build-Operate-Transfer contract (BOT) in its procurement strategy with the total cost of RM 60 Million. KLPac then

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been transferred to Yayasan Budi Penyayang and being operated by Actor Studio Malaysia until today. This unique building symbolized the hardship of Malaysia to become a developed county while maintaining the authenticity of heritage and culture.

Desideratum of Project Financing and Funding on Retrofitting Historical Buildings:

In Malaysia, conservation works of the historical buildings such as mansion, bungalow, and shop houses commonly funded by the owner of the buildings itself. Meanwhile, the for historical buildings that falls under Act 625-National Heritage Act 2005 after the specific historical buildings being selected by Department of Heritage to become National Heritage Building (Hashim, A.E., 2012). Conformed to chapter 4 of the act, the Federal Government will fund (grant / loan) for the conservation and preservation works of national heritage buildings, but the fund will be managed by the Department of Heritage or also known as Commissioner since it is under their administration and executive power .

Project Financing & Funding Options for Retrofitting The Historical Buildings:

There are various types of funds to finance a project. Internal funding and external funding are two type of project financing and funding in construction industry in Malaysia. Any project that is being funded entirely by using its own funds or under the company's account is considered as internal funding while other than that is considered using external findings if it come from external sources (Kotval, Z., J. Mullin, 2009). External sources of funds often classified into short tem, intermediate term and long term. Trade credit, factoring or blanket facility and overdraft facility falls under short term financing while leasing and mortgage falls under intermediate term financing. In long term financing, there are bonds, debenture, equity shares, public-private partnership (PPP), private finance initiative (PFI) and product development partnership PDP are the options that could be use to obtain fund (Nasiha, N., 2013). The table below shows the differences between the options of external funding sources that is available and suitable to be used in Malaysia:

Table 1: Differences between the options of external funding sources.

SHORT TERM	Funds for payment of costs associated with the building of a construction project
TRADE CREDIT	The credit terms allowed by suppliers and sub-contractors are trade credits for which there are no cost attached. Short term in 30 - 90 days.
FACTORING / BLANKET FACILITY	When company's payment periods are long, the debts can be factored out to a finance company or commercial banks that provide as such service. Cash received is equal the debt amount factored out less the factoring charge at point of factoring.
OVERDRAFT FACILITY	When bank approves the request for an overdraft (OD) facility in a given sum, As and when funds are needed it could be drawn against the OD facility. Maximum withdrawal is based on the maximum of OD.
MEDIUM TERM	Frequently referred to as term financing / term loan. Associated with the purchase of machinery or equipments for the permanent increase in the firm / company current asset such as material inventory.
LEASING / MORTGAGE	Company's approaches commercial bank for a finance lease to buy a plant or equipment from a third party vendor at an agreed rate of interest. The bank maintain charge on the item. The money is used to purchase the required item from the vendor. The company's owns the asset.
LONG TERM	To secured company's main assets.
BONDS	Bonds maybe issued by large companies that undertaken mega projects. Repayable by specific agreed time (example: maturing in 10, 15 or 20 years) or it can be converted at the investors discretion into equity shares at pre agreed time at pre-agreed value.
DEBENTURES	These are long term loans secured by either the property for which the debenture was issued or on the overall company properties or even on its overall operations. However the risk is high, if the company is unable to repay the debenture by its due date, the debenture holders are at liberty to seize the assets that it has secured and even foreclosure proceedings that can embarrass the company and thus impact its credit standing in the financial and construction community
EQUITY SHARE	A company can raise its long term funds required. Normally done through its merchant bankers, listed companies can issues a fresh lot of equity shares to the public for a stake in the company.
PPP	PPP involves the transfer to the private sector on the responsibility to finance and manage a package of capital investment and services including the construction, management, maintenance, refurbishment, and replacement of public sector assets. PPP is often used in state of municipal activities which is involving services provided to the public need. Local government forms the third tier in the government structure in Malaysia which it is one of the prominent parts. The public and private party may include in the contract which would provide liabilities and undertaking of both parties of the project.
PFI	Built, Operate and Transfer (BOT), Built and Operate (BO), Built Lease Transfer (BLT) for new projects and outright sale, lease, management buy-out and corporatisation for existing projects are the example of PFI types in Malaysia. The main aim of PFI is to encourage private participation in the local construction development and to reduce government's expenditure in providing public infrastructure and services.
PDP	An important trend in global health R&D are a type of public-private partnership called product development partnerships (PDPs). PDPs are a unique, non-profit business model bringing together public, private, academic and philanthropic sectors to develop technologies for global health. It can be adapted in construction sector.

Summary and Conclusion:

Without a proper planned of cash flow and limited funding, retrofitting the historical buildings may have to stop half way, thus it will bring negative impact to the surrounding, socially, economically and to the environment. Cost benefit analysis (CBA), sensitivity analysis and feasibility studies could be done further to confirm the feasibility and viability of the project and also to determine the returns rate from the project if it is consider as an investment to the project owner hence increasing the successful rate of the project.

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