

National Trust
for Canada
Bringing heritage to life



Fiducie nationale
du Canada
Le patrimoine en vie

**BRIEF TO THE HOUSE OF COMMONS STANDING COMMITTEE ON FINANCE:
RECOMMENDATIONS FOR BUDGET 2017**
from the
NATIONAL TRUST FOR CANADA

Executive Summary

In this submission, we provide the Government of Canada with innovative recommendations to use older buildings and sites to stimulate the economy, create meaningful jobs, and help achieve environmental sustainability in urban, rural and remote communities. These would help individual Canadians and Canadian businesses maximize their contribution to the country's economic growth using measures that stimulate private investment and attract philanthropy.

Recommendation 1: “This Place Matters” Matching Funds: \$5 million to encourage citizen and corporate philanthropy for historic places, stimulating projects that create jobs.

Recommendation 2: Eco-Historic Tax Credits to promote private and corporate investment in greening and renewing historic places.

The rehabilitation of historic buildings and sites represents an important opportunity to stimulate private investment and create new jobs, with significantly less environmental impact than other stimulus measures. In addition to preserving livable neighbourhoods and improving quality of life, these investments help build a resilient, creative, and diverse society – with the added benefit of renewing a legacy of places on the 150th anniversary of Confederation.

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RECOMMENDATIONS FOR BUDGET 2017

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Introduction

Heritage places are an untapped resource. Found in urban centres, small towns, and remote regions, they offer great opportunities as building blocks for regional development, cultural/tourism activity, social infrastructure and the creation of green jobs. From the humblest to the grandest, heritage buildings tell the story of Canada better than any textbook – they represent our country in its beauty and diversity. They are cornerstones of our national identity.

There is clear evidence to link heritage investment to **economic growth and job creation**: rehabilitation generates upwards of 21% more jobs, including skilled jobs, than the same investment in new construction.¹ Heritage rehabilitation also incurs less “leakage” out of the Canadian economy for foreign goods.²

Heritage places draw **tourists** to Canada, with growth in US travellers seeking heritage experiences in Canada expected to reach 12.3 million by 2025. Heritage conservation reinforces **local identity**, enhances cultural vitality, accommodates **affordable housing** and **incubates small businesses**.

Just as importantly, investing in the refurbishing of heritage buildings contributes to the **fight against climate change**.³ Building renewal and re-use capitalizes on materials and energy already invested, reduces construction and demolition waste,⁴ and avoids environmental impact associated with new development. A recent study shows that it takes from 10 to 80 years for a new “green” building to make up for the negative climate change impacts of its construction.

¹ For example, the 2010 US study, *Delaware Historic Preservation Tax Credit Program: Good for the Economy, Good for the Environment, Good for Delaware's Future*, found that \$1 million spent on rehabilitation of historic properties created 14.6 jobs while \$1 million spent on new construction created 11.2 jobs - a difference of 30%. The 2011 US study, *Good News in Tough Times: Historic Preservation and the Georgia Economy*, found that \$1 million of economic activity created 18.1 historic rehabilitation jobs compared with 14.9 jobs for new construction - a difference of 21%.

² Empirical studies in Germany and the US show that rehab is much more labour intensive than new construction. Their building industries typically reckon project costs of 50% labour and 50% material for new construction, while heritage rehab sees between 60% and 80% for labour (Dr. Jörg Haspel, *Built Heritage as a Positive Location Factor – Economic Potentials of Listed Properties*, ICOMOS, 2011; Donovan Rypkema, *Heritage Conservation and the Local Economy*, Global Urban Development Magazine, 2008.) Indeed, the Ontario Heritage Trust's review of its rehab projects over the last 20 years saw up to 90% of project costs allocated to labour (OHT, *Cultural Heritage - Proposals for Ontario Cultural Strategy*, Dec.2015).

³ According to *Canada's Sixth National Report on Climate Change* (2014) Canada's buildings are the third largest GHG emissions sector after petroleum and transportation.

⁴ A 2005 Statistics Canada study found that 12% of all residential and non-residential waste (amounting to 3,371,880 tonnes) comes from construction, renovation and demolition. Only 16%, or 555,352 tonnes, is diverted.

Recommendation 1: “This Place Matters” Matching Funds: \$5 million to encourage citizen and corporate philanthropy for historic places, stimulating projects that create jobs

Grassroots organizations and charities are drawn to heritage places because they offer creative, centrally located space; hold stories of community and shared values; and provide a sense of place and continuity for Canadians.

Early government seed funding helped transform the vacant No. 2 Fire Station in Moncton, New Brunswick into an essential part of the community’s social infrastructure. The landmark building was creatively re-purposed to offer services to at-risk youth, even using the construction phase to teach building rehabilitation skills to a crew of young people from a nearby correctional facility. Similarly, government seed funding is key in successful downtown revitalization. In Maple Creek, Saskatchewan, a modest \$150,000 in seed funding for heritage-led regeneration helped spawn 18 new businesses and leveraged over \$2 million in building rehabilitation investments.

There are many thousands of places where seed funding could unlock economic potential and social capital and create local jobs in urban, rural, and remote communities:

- The Department of Fisheries and Oceans (DFO) has declared over 450 of its historic lighthouses surplus to government needs, and wishes to transfer them to community groups.
- Every community in Canada is facing a tsunami of redundant faith buildings.
- Thousands of other building types— courthouses, school buildings, museums – are being divested by governments at all levels.
- Indigenous heritage sites hold great potential for education and cultural tourism.

With seed funding, many of these places have the potential to house social enterprises or cultural infrastructure, attract tourism and anchor culture and identity.

Creating a go-to source of federal matching funds for grassroots groups and charities with worthy heritage projects would broaden the potential for local investment and the creation of new jobs in urban, rural and remote regions.⁵

We propose that Budget 2017 include \$5 million in federal seed funding, made available to attract and match \$5 million in donations to heritage places made by private individuals and corporations, and stimulate projects that create jobs. The resulting \$10 million in heritage project funds would bring an estimated \$14 million in additional economic impact – a three-fold return on the Budget 2017 investment we are recommending.⁶

⁵ Grassroots groups and charities face extreme challenges to find seed funding to kick-start re-use of these structures and sites. For example, the Canada 150 Community Infrastructure Program requires not-for-profits with modest heritage projects to compete with arenas, gymnasiums, pools and sports fields. FedDev Ontario’s website reports 1,100 applications requesting more than \$260 million in funding for their first intake – almost 6 times more than the available funding. Further, the advertised eligibility was later increased to include local roads, airports and waste management, creating even greater competition for these funds

⁶ Based on Expenditure and Tax Multipliers (Table A2.1) for “Infrastructure Investment” in *Budget 2016: Annex 2 – Economic Impacts of Budget Measures*.

We offer the use of an innovative and high profile mechanism to distribute the matching funds. **THIS PLACE MATTERS** (www.thisplacematters.ca) is a platform designed to build the capacity of Canada’s grassroots and charitable sector, and leverage the great potential of corporate philanthropy, crowdfunding and social media. **Figure 1** below shares some of the extraordinary results achieved during a 2015 pilot.

Federal seed funding distributed through this platform would attract private and corporate donors and gain substantial media attention: In the past year, the National Trust invested just over \$90,000 of its own funds and successfully leveraged an additional \$290,000 for 52 heritage places across Canada, with the excitement reaching millions of Canadians.

Federal governments in other countries have seen the benefit of such investments. **Save America’s Treasures** is a decade-long US program that invested \$220 million in federal funds to leverage \$330 million from private sources, resulting in the preservation of 900 historic structures and creation of 16,000 jobs.

There are Canadian precedents for using federal matching funds to stimulate philanthropy and kick-start local projects and investments:

- The Department of Canadian Heritage has an existing matching donations program, restricted however to endowment matching and only eligible to arts organizations.
- The Government of Canada’s response to the Syrian refugee crisis and to disaster relief for Haiti offered matching funds to stimulate private donations.

A national “This Place Matters” Fund – with matching funding provided by Government – would inspire philanthropy, corporate support and private donations; facilitate the transfer of surplus lighthouses out of Federal Government ownership; and create jobs.

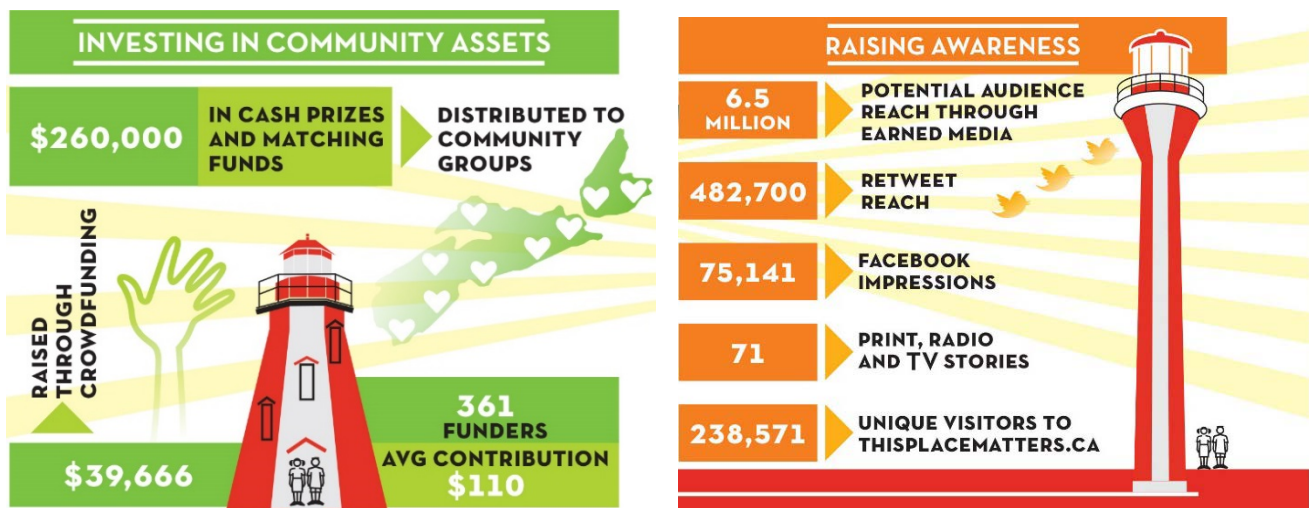


Figure 1: A 2015 pilot project using the platform THIS PLACE MATTERS demonstrated how modest seed funding and matching dollars can kick-start local investment, build capacity, and generate positive profile.

Recommendation 2: Eco-Historic Tax Credits to promote private and corporate investment in greening and renewing historic places

Canada needs policies that create a strong economy, protect the environment and avoid climate impacts. The recycling and re-use of existing buildings – our largest consumer good – offers a great opportunity to achieve these goals.⁷ We appreciate the Government’s interest in measures that use the tax system to stimulate private investments in heritage buildings. Canadian studies consistently demonstrate that a heritage rehabilitation tax credit would generate net federal revenue growth by year two.

Introduce a Refundable Rehabilitation Tax Credit for commercial entities investing in older and heritage properties:

In the United States, a booming and competitive industry exists because 30 years ago it established a 20 percent federal tax credit for rehabilitation of heritage buildings. The US Historic Rehabilitation Tax Credit Program is internationally recognized for ongoing success in stimulating private investment. About \$24 billion in federal credits have generated more than \$28.6 billion in additional federal tax revenue and leveraged over \$117 billion in private investment (a 5 to 1 ratio of private investment to tax credits). In the process, it has created 2.5 million jobs and preserved 40,300 historic properties.

Canada’s economy would benefit from a made-in-Canada version of this proven economic stimulus – a proposal that has widespread support from provincial/territorial governments, 33 municipalities, and the Federation of Canadian Municipalities.

In a Canada-wide pilot program designed to ‘test’ the benefit of a heritage tax incentive, the Commercial Heritage Properties Incentive Fund (CHPIF) offered financial incentives to attract developers to derelict buildings. The results were impressive: a total of \$21.5 million in federal contributions spread across 49 projects leveraged over 8 times more in private sector investment (\$177.2 million) and gave landmark buildings like Saint John’s CentreBeam Place vibrant new uses. Thanks to CHPIF, the tools are in place to launch a Canadian rehabilitation tax credit.

Introduce a Non-Refundable Rehabilitation Tax Credit for heritage homeowners:

Similarly, the infrastructure is in place to administer a program like the former Home Renovation Tax Credit (HRTC), which could be the basis for quickly rolling out a targeted new measure that stimulates investment in the renewal of existing properties.⁸ The HRTC launched in 2009 was claimed by almost 3 million Canadians, with an average of \$700 per claim and generating an estimated \$4.3 billion in economic activity.

Sincere thanks to members of the House of Commons Standing Committee on Finance for considering these recommendations.

⁷ A 2012 National Trust for Historic Preservation report – *The Greenest Building: Quantifying the Environmental Value of Building Reuse* – found that environmental impact savings from reuse are between 4 and 46% over new construction when comparing buildings with the same energy performance level.

⁸ There are approximately 3,014,995 pre-1960 residential buildings in Canada. An estimated 10%, or 300,000 buildings, are either recognized as heritage sites, or could potentially be identified as such.

About the National Trust for Canada

A national registered charity, the National Trust has a long track record in community renewal combined with new tools for creative fundraising. We promote an approach to heritage conservation that is vibrant and dynamic – linked to social justice, the environment, sustainable living, and the cultural diversity of Canada.

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