Landmarks, Not Landfill! — Federal Financial Incentives For Heritage Buildings
by Christopher Wiebe

In Moose Jaw, Saskatchewan, developer Russ Worthington is ready to throw in the towel on his project to transform the long-vacant YWCA building into a mix of commercial space and loft apartments. Since buying the property in 2005 he has replaced the leaky roof, restored its rich wood finishes and had it added to the Canadian Register of Historic Places. “I’ve had 15 people walk in off the street and sign up for lofts without even advertising,” he says.

The main stumbling block is money. No bank will give him a loan for rehabilitation work on the heritage building. While municipal staff have shown interest in the project, his only financial support has been a $10,000 façade grant from the provincial government.

With his funds running out, he is looking to sell and hopes a new owner will respect the building’s historic qualities.

Meanwhile, about 75 kilometres southeast of Whistler, B.C., in the remote village of Skatin, is the Church of the Holy Cross, a beautiful and sacred place that is one of Canada’s least known national historic sites (NHS).

Its origin is a remarkable testament to faith. Between the mid-1890s and 1905, 17 people of the Stl’atl’imx tribe built this “cathedral in the wilderness” out of local cedar. None of them had formal carpentry training. Instead, they relied on photographs of the French Gothic cathedrals of Chartres and St. Denis for inspiration. They crafted three delicate steeples, hand-carved the altar and pews and imported stained glass windows from Europe.

“People who visit the church talk of the incredible sense of peace and power in it,” says local resident Sharon Syrette. “There is a tangible presence in that place, whatever your beliefs.” Five generations of her family have been baptized there, beginning with her grandmother in 1914. Two of her grandchildren were baptized there during the NHS plaque unveiling ceremony in 2006.

Time caught up with the church in 2003 when the flooding Lillooet River undermined its foundation and sent its steeples listing. With the building at risk of collapse, Ms. Syrette and other community members immediately formed the Ama Liisaos (Good Angels) Heritage Trust Society. They need $200,000 for emergency stabilization and another $400,000 for a full restoration—a lot of money, given the church’s low profile and the community’s limited resources. Undaunted, Ama Liisaos has raised $12,000 through fundraisers, raffles and the sale of a book about the church.

They’ve found matching funds from the Heritage Legacy Fund of B.C. and the provincial government, most of which went to engineering and conservation studies, but despite being declared an NHS in 1981, federal help hasn’t materialized. “For the last three years, Parks Canada has told us we are at the top of the list for emergency funds. But what does being on a list help when there’s no money in the NHS system?” asks Ms. Syrette.

TWO PROJECTS, ONE PROBLEM

Two seemingly unrelated struggles to save old buildings: one, an urban commercial reuse, the other, a classic heritage conservation project by a remote community. What binds them together, along with around 60,000 other heritage buildings across the country, is the absence of a key financial player: the Government of Canada.

Local residents are finding creative funding solutions. Municipalities and provinces, with limited room to manoeuvre, are making efforts to help. The federal government—the one jurisdiction whose tax policy and revenue clout could have a nationwide effect—has failed to demonstrate a similar resolve. It has yet to make a substantial financial commitment.

Although the federal government is engaged in commemorating Canada's national historic sites and committed to national conservation standards and guidelines, its cost-sharing program to support non-federally-owned national historic sites is nearly dormant and badly underfunded. Financial incentives to leverage private investment in heritage buildings have yet to materialize.

This reluctance to provide a fair fiscal terrain for heritage is all the more baffling given the steady stream of findings by academics and government agencies demonstrating the many benefits of heritage rehabilitation. From increased employment and tourism to neighbourhood revitalization and reduced greenhouse gas emissions, heritage conservation products spawn many side benefits.

The body of evidence is strong. By renewing its fiscal commitment to heritage, the Canadian government would not be striking out into uncharted waters. It would be fulfilling policies that have been tested and proven under the Historic Places Initiative since 2001.

THE HISTORIC PLACES INITIATIVE

Support for heritage conservation is uneven around the country. In the 1980s and 1990s, the municipalities and provinces were assembling an impressive array of tools.

At least 39 municipalities now have financial incentives for conservation, including grants, low-interest loans, density transfers and property tax abatement. The provinces and territories all extend grants of some kind for heritage rehabilitation. Five of them have tax incentives in place.

The Historic Places Initiative (HPI)—a provincial, territorial and federal collaboration—seeks to showcase the thousands of historic places recognized locally across the country. It has resulted in a pan-Canadian approach to the conservation of heritage that transcends jurisdictional boundaries. Although property is a provincial responsibility, HPI recognizes that historic places profoundly shape and reflect our national identity and economic well-being.

This approach has sparked dialogue and raised public awareness, but it has also raised public expectations. "Before HPI there were 13 jurisdictions working independently," explains Larry Pearson of Alberta Community Development. "The past five years of HPI have reinvigorated the conversation about conservation in this country. Provinces now consult and share regularly."

Two key pieces of the program are in place: the accreditation mechanism, called the Canadian Register of Historic Places; and the tools for rehabilitation provided by the program's official standards and guidelines. The final, pivotal piece, says Mr. Pearson, is the tax incentive. "Alberta has been arguing for an American-style tax incentive for heritage rehabilitation since the early 1980s. The province was especially keen to participate in HPI because the tool kit it was producing was intended to be the foundation for a federal tax credit."

THE AMERICAN MODEL

Indeed, the American track record with tax incentives is very persuasive. "Federal tax incentives have been a huge success story by any measurement," notes Donovan Rypkema, a prominent U.S. economic development and historic preservation consultant. "There's been nothing like it for advancing historic preservation in the United States."

Inaugurated in 1976, the Federal Historic Preservation Tax Incentives Program currently provides a 20 per cent income tax credit for the rehabilitation of income-producing properties (including rental housing) listed on the National Register of Historic Places, and a 10 per cent income tax credit for the rehabilitation of non-designated, non-residential buildings built before 1936. Over the past 30 years, more than 32,000 commercial properties have been rehabilitated, almost half the buildings on the U.S. National Register of Historic Places (many of them small projects under $500,000). The incentives have also created approximately 350,000 housing units (around 80,000 for low- or moderate-income tenants), and generated scores of rehabilitation jobs—about 52,500 in 2005 alone.

At the same time, the program has also leveraged $36 billion in private sector spending from $7 billion in federal tax credits. These are impressive numbers. “Tax credits help make the reuse of buildings a competitive alternative to demolition,” says Rypkema. “New buildings can be put on any piece of vacant land. Historic buildings are often located in places that aren’t optimal, like depressed neighbourhoods or rural areas. Tax credits effectively compensate these kinds of reuse projects on the front end.”

FEDERAL TAX INCENTIVES

In Canada, a tax incentive geared to the rehab of revenue-producing heritage buildings should be predictable and accessible. It could take many forms. It could provide a tax credit for a percentage of costs invested in rehabilitation or an accelerated capital cost allowance enabling building owners to write off rehabilitation expenses over a shorter period of time.

A tax incentive could be a charitable tax credit for the donation of heritage property from individuals to charitable institutions, similar to the ecologically sensitive lands tax credit, providing for charitable donation deductions for corporations.

CHPIF SET THE STAGE

The federal government laid the groundwork for heritage tax incentives when it launched the $30-million Commercial Heritage Properties Incentive Fund (CHPIF) in 2003. Pam Blackstock, director of Historic Places Policy Group in Parks Canada, says Canada’s approximately 20,000 commercial properties were targeted because they are under the most development pressure. “CHPIF was aimed at modelling the way a tax incentive might work,” she explains.

Among other things, the program gauged private sector appetite for heritage projects and field-tested the register and the standards and guidelines. It has exceeded all expectations. By the time CHPIF was cancelled in the fall of 2006, it was heavily oversubscribed.

One of the 16 projects to receive funding was the Union Bank Tower in Winnipeg. “We would never have undertaken this project without a commitment of federal money,” notes Guy Hobman, president of The Greentree Group, a construction and development company. “The incentive considerably narrows the cost spread between rehabilitation and new construction.”

The city of Winnipeg offered funding and property tax concessions, but these alone would not have been enough to make it viable. “All three levels of government and the private sector have an obligation to undertake projects like these,” Hobman concludes.

AN URGENT NEED

A federal tax incentive for heritage buildings would serve to amplify rather than duplicate existing provincial and municipal programs or policies, tipping the balance in favour of retention, not demolition.

There are literally hundreds of Canadian buildings waiting for a motivated owner or developer to rehabilitate them for profitable use, from the former VIA Station in Prince Rupert, B.C., to the former CIBC bank in Dawson City, Yukon, to 19th-century commercial buildings on Yarmouth's Main Street in Nova Scotia.

Property development is fast-paced and competitive, and Canada's construction season is short. Commercial ventures often cannot accommodate the long time lines and approval processes associated with contribution funding programs. Tax incentives, on the other hand, would provide a "front-end solution" developers and property owners require.

Tax incentives are already used to encourage economic activity in many areas: the Canadian Film or Video Production Services Tax Credit, and the Mineral Exploration Tax Credit, for example. Tax policy is a powerful policy instrument. The federal government should bring tax policy for heritage buildings into harmony with its other key goals, like supporting infrastructure and human resource development, keeping investment in Canada and improving the tax base for municipalities.

There are many indications that federal action is urgently needed. Rising property values in many Canadian cities are rendering existing municipal and provincial measures less and less effective. Architectural historian Don Luxton observes that, in downtown Vancouver, density transfers (granting bonus development rights off site in exchange for the retention and repair of heritage buildings) are barely keeping up as an incentive against rising land values.

Victoria's well-used system of property tax holidays and restoration grants has been rendered increasingly ineffective by high property values and the costs of seismic upgrading. "The province or the cities still have enough funds to encourage heritage homeowners, but not commercial projects. Their pockets aren't deep enough to fund to that magnitude," says Mr. Luxton.

Edmonton's booming economy is no less pernicious. In the downtown neighbourhood of Oliver, historic houses are being demolished to make way for profitable condo developments. The return on investment makes economic sense to developers, especially when weighed against the city's offer of $25,000 restoration grants for older homes.

PART OF A LARGER SOLUTION

While the introduction of tax measures is crucial for commercial properties, they are not enough to create better futures for all of Canada's heritage buildings. Around 70 per cent of Canada's historic places would not benefit because they are not used for commercial, revenue-producing purposes.

These include farm buildings, city halls, places of worship and residential properties, many owned by non-profit organizations and registered charities. According to David Bradley of the Newfoundland Heritage Trust, most of downtown Bonavista would not qualify for tax incentives because the buildings are owned either by non-profit organizations or the municipality.

Support for national historic sites would be an excellent place to start. Of Canada's roughly 900 national historic sites, about 750 of them are privately owned and managed. In its heyday during the 1990s, the National Historic Sites of Canada Cost-Sharing Program made funds available to 53 of these designated sites, frequently leveraging two to three times the $27 million it invested.

A 2004 Parks Canada survey found that one-quarter of these non-federal sites were in fair to poor condition and that one-third of them spend less than $10,000 annually on conservation and maintenance.

The cost-sharing program was put in place in 1987 to support the conservation of Canada's national historic sites, but demand overwhelms its reduced annual budget of $1 million a year. The fund can only support some of the older cost-sharing agreements. It's incapable of funding new ones. The Auditor

General reported in 2003 that at least 118 requests for funding had gone unanswered. There are over 60 sites, including the Church of the Holy Cross, on an informal waiting list for urgent funding.

Meanwhile, historic sites across the country languish in limbo. Winnipeg's extraordinary Capitol Theatre, unheated and mouldy, its roof leaking, was brought to the ground in 2002. As Cindy Tugwell of Heritage Winnipeg explains, small injections of stabilization money over the years could have headed off the massive restoration costs that doomed its reuse. With the Metropolitan Theatre in Winnipeg and Victoria Hall in Hamilton facing similar fates, she sees maintenance funding as "an opportunity for the federal government to look good."

In Saskatoon, the Friends of the Forestry Farm House saved the superintendent's house on the former federal Sutherland Forest Nursery Station in the early 1990s and got it recognized as an NHS. But after fundraising $150,000 to restore and convert it into a tea house and interpretive centre (some members even took out lines of credit), they had to close it down due to lack of money. It now sits largely idle.

"Maybe we were naive, but we all thought restoration of the building would be the hard part. In fact, it was sustaining it after, keeping the heat on, that was the toughest," says former Friends' president Bernie Cruikshank.

Al Rosseker, head of the Saskatchewan Architectural Heritage Society, says most current grants are directed towards projects and not the grunt work of ongoing maintenance. "We need funding programs that stress the need for stability and operation of buildings. I don't see how individuals can be called upon to shoulder the entire burden of structures that have become community icons," he says.

CONCLUSION

Canada's heritage buildings are landmarks and sources of community pride, but they are also proven drivers of economic and social revitalization.

From neighbourhood schools to office buildings and factories, the rehabilitation of key historic properties has stimulated the renewal of entire communities. They generate more jobs than new construction and they increase the municipal tax base along with property values. They also represent valuable storehouses of embodied energy. Their reuse cuts back greenhouse gas emissions and diverts construction waste from swollen landfills.

The time is ripe for the federal government to demonstrate both leadership and long-term vision in supporting Canada's old and significant buildings.

There have been some encouraging signs. The 2006 budget introduced a variety of new tax credits for things like children's fitness, transit passes, and tradespeople's tools. The December 2006 Report from the Standing Committee on Finance recommended that the government review the range of measures and programs that support and encourage the preservation and restoration of heritage buildings with a particular focus on the eligibility of non-profit organizations, public agencies and private individuals. It also recommended the elimination of capital gains tax on donations of real estate and land to public charities and private foundations.

The federal government has the capacity to unlock the mechanism that will open the door to heritage conservation in Canada.

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