

THE URGENT NEED FOR A FEDERAL TAX INCENTIVES FOR THE REHABILITATION OF HERITAGE PROPERTIES IN CANADA

Submitted to the Standing Committee on Finance by The Heritage Vancouver Society, August, 2009

Executive Summary

This brief proposes that the Federal Government introduce a federal income tax credit program in the 2010 Federal Budget to assist property owners in the conservation of their heritage structures.

There is an urgent need for this program. Individual Vancouver residents care about their built heritage. Vancouver's unique collection of heritage buildings, structures and neighbourhoods creates a strong sense of our history and our roots. It is a reminder of who we are and where we came from, and gives us a sense of place both for local residents and the many refugees and immigrants we welcome to our city every year.

Preserving our remarkable legacy cannot be left to chance. Without a wide range of conservation incentives we will continue to lose many of the heritage structures that contribute so much to our quality of life. The City of Vancouver has introduced a series of incentives including the heritage density bank, tax relief and façade grants to assist in the preservation of some Vancouver buildings. These programs are currently facing a double-barrelled threat - skyrocketing construction costs and escalating land values.

The City of Vancouver, like all other Canadian municipalities, urgently needs the Federal Government to introduce a federal income tax credit program to assist property owners in the conservation of their heritage structures. Vancouver, and other cities, cannot carry the responsibility for preserving its heritage buildings on its own, it needs the partnership of senior levels of government to make this happen.

The Federal Government's Role in Heritage Conservation

The Introduction of the Historic Places Initiative (HPI) in 2001 sent a strong message that the Federal Government recognized the need to become involved in preserving heritage structures. Backed by significant resources and political commitment, the HPI has established the first pan-Canadian program to preserve our heritage. We laud the Federal Government in recognizing the need for such a program and for putting serious federal resources behind it. In a few short years the accomplishments of the HPI have been significant. They include the Canadian Register of Historic Places, creation of the Historic Places Branch, publication of the Standards and Guidelines for the Conservation of Historic Places in Canada and a draft Historic Places Act. The next step on the HPI agenda is the introduction of a federal rehabilitation incentive. With the introduction of this incentive, the Federal Government will continue to be seen as a leader in the field of

heritage conservation and more importantly many of our heritage structures that would be doomed to the wrecking ball or allowed to fall down due to neglect, will be restored and create lasting monuments to our collective past. For Vancouver, it is becoming more and more critical that the Federal Government introduce its promised tax incentives.

Why Federal Government Involvement in Heritage Conservation?

Experiences from the United States illustrate that participation in heritage conservation by national governments is effective in preserving heritage buildings and structures. A Federal Tax Incentive Program introduced over 25 years ago has resulted in the rehabilitation of 30,000 properties and the creation of a third of a million housing units. Because developers actively seek out heritage buildings to invest in, a booming and competitive preservation industry exists. The US tax credit is internationally recognized for its continuing success at preserving historic buildings, stimulating private investment, and revitalizing communities.

At the heart of this process is the question of cost. Property development and maintenance are expensive, and costs have been rising at an alarming rate. With heritage property, costs are often higher still as result of considerations to conserve the special values and attributes that make them unique. Since conserving these heritage values is a public benefit, using the public purse to cover incremental costs is deemed appropriate. Consequently, a number of government or government-backed heritage incentive programs have emerged across Canada over the last several years, designed to influence the economics of heritage property rehabilitation. To be effective, these must take into account current economic realities and be prepared to make significant investments.

The Vancouver Experience: Gastown Historic District

For several years Vancouver's historic Gastown district was unable to attract investors. Properties were in decline, upper floors remained vacant, and Gastown's economy was stagnant. In 2003 the City of Vancouver introduced the Gastown Management Plan to, among other objectives, assist with the preservation of Gastown. This plan included a comprehensive incentive program of tax relief, bonus development rights, and direct grants. This plan was later extended to other districts in need of rehabilitation. In the four years of the Heritage Building Rehabilitation Program, the City provided \$91 million in incentives for 20 rehabilitation projects, which leveraged over \$400 million in private investment.

By 2007, the Heritage Density Bank, the bonus development repository, came under threat due to rapidly increasing restoration costs and uptake by property owners who saw this as an excellent opportunity to restore buildings that had been sitting derelict for years. As a result of the success of the program, large amounts of density accumulated in the heritage density bank and the city became concerned that there were not enough receiver sites to land the density. The city decided to put a freeze on the density bank and conduct a study to determine the future use of the heritage density bank as an incentive for heritage preservation. One of the ironies is that the overwhelming success of this

program may in the end lead to its demise. Although the city has not yet come to any conclusion as to the future of the bonus development program, it is clear that the program will be much reduced. This will have an extremely negative impact on the restoration of properties not only in Vancouver's historic areas but throughout the city. In the case of the historic district of Gastown, once a freeze was placed on the heritage density bank in 2007 and bonus development incentives were no longer available to property owners, the restoration of historic buildings came to a halt. Many Gastown property owners with applications in process at Vancouver City Hall have not gone ahead with planned restoration of their historic buildings. Without the existence of meaningful preservation incentives, these projects will not go ahead and in fact many owners are considering putting their buildings up for sale. Without financial incentives, the high cost of restoring heritage buildings has made the restoration of these buildings impossible from a financial perspective.

The lessons learned from both the introduction of, and the subsequent freeze, on the heritage density bank in historic Gastown are many.

- Property owners in Gastown were highly motivated to restore derelict heritage buildings when worthwhile financial incentives were made available to them
- The restoration of heritage buildings in Gastown proved to be a major tool in the social and economic revitalization of the Gastown historic district
- The investment of private sector money in the restoration of heritage buildings in Gastown far exceeded the money injected through heritage incentives
- Without continued availability of meaningful heritage preservation incentives the restoration of the remaining heritage buildings will not go ahead and the full economic and social benefits from a completely restored Gastown will not be realized

Without meaningful heritage conservation incentives from senior levels of government, the City of Vancouver does not have the capacity to generate sufficient heritage incentives to ensure that the restoration of its important heritage buildings is carried out.

The rehabilitation of heritage building is good for the economy, good for job creation, and makes our cities better places to live. In order to be effective, heritage incentives must be seen as a partnership between different levels of government and the private sector. The Federal Government could make a significant contribution to the Nation's heritage through a tax income tax credit program that would initiate major private sector investment in our aging, historic infrastructure