Heritage Resources Centre

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Brief Presented to

The House of Commons Standing Committee on Finance

Concerning the Committee's 2008 Pre-Budget Consultations

Executive Summary

- The Heritage Resources Centre (HRC) at the University of Waterloo promotes a better understanding of heritage for the improvement of planning, management and public policy through research and education
- The HRC has conducted research on the economics of heritage development, evaluated the effectiveness of heritage policy and has advised government and public agencies in Canada and abroad
- The HRC recommends to the Government of Canada that a ***Federal Rehabilitation Tax Incentive for Heritage Properties*** in Canada be introduced
- The primary reason for supporting the conservation and reuse of heritage properties is to preserve and enhance the culture of the country, build national pride and increase the quality of life of all Canadians
- Canada is a signatory to UNESCO's World Heritage Convention which commits us to conserve our heritage - that includes not just great architectural monuments but also the more modest expressions of our culture found in every community
- However, while the conservation and reuse of existing buildings is primarily important for cultural reasons, it is also good environmental and economic policy
- The environmental advantages of heritage conservation include energy efficiency, waste reduction and the curbing of urban sprawl
- The economic advantages include urban revitalization, job creation and cost effectiveness
- Canada is behind every other advanced nation in heritage conservation policies - it is time we joined the developed world in this regard with ***Tax Incentives for Heritage Preservation***

Why Conserve?

- Canada is a signatory to UNESCO's World Heritage Convention (WHC) and all of our provincial heritage acts are founded on that 1974 document
- The World Heritage Convention begins:
    - Noting that the cultural heritage and the natural heritage are increasingly threatened with destruction not only by the traditional causes of decay, but also by changing social and economic conditions which aggravate the situation with even more formidable phenomena of damage or destruction… (http://whc.unesco.org/en/conventiontext/)
- It goes on to commit member states:
    - To adopt a general policy which aims to give the cultural and natural heritage a function in the life of the community … [and] to take the appropriate legal, scientific, technical, administrative and ***financial measures*** necessary for the identification, protection, conservation, presentation and rehabilitation of this heritage (http://whc.unesco.org/en/conventiontext/)
- Some people feel that as long as a few stellar structures such as the Parliament Buildings and some old forts are maintained that Canada has fulfilled its international undertaking to the WHC, but the Venice Charter, one of the foundational documents of the WHC clearly states that:
    - The concept of a historic monument embraces not only the single architectural work but also the urban or rural setting in which is found the evidence of a particular civilization, a significant development or a historic event. This applies not only to great works of art but also to more modest works of the past which have acquired cultural significance with the passing of time
- Virtually all developed, civilized nations have active programs "for the identification, protection, conservation, presentation and rehabilitation" of their common heritage. While Canada identifies its heritage we are alone in providing no financial incentives at the federal level for the conservation and rehabilitation of these properties
- A study which reviewed the Canadian Inventory of Historic Building, originally completed in the 1970s found that "20 percent of Canada's pre-1920 heritage buildings have been lost to demolition over the past 30 years" (Margaret Carter, CIHB Revisited, 1999)
- One of our own Heritage Resources Centre studies conducted in 2003 revealed that in 22 Ontario communities over a 15 year period more than 400 officially recognized heritage buildings had been destroyed
- A large part of the problem rests with out-dated, ill conceived and unwise federal government tax policies that are out of line with modern environmental and economic principles. The Canadian government gives a $1,000 to $4,000 tax rebate to new car buyers who qualify according to an energy saving formula while at the same time it subsidized the demolition of perfectly serviceable buildings where the energy waste is astronomical
- Canada is currently fighting a war in Afghanistan in part to prevent the return of a government well known for their wonton destruction of the Bamyan World Heritage Site. But at home the Canadian government is not exercising its responsibility to protect our own

heritage and this is doubly tragic since heritage conservation is clearly good public policy not just for social and cultural reasons but also for environmental and economic ones

Environmental Advantages of Building Reuse

Energy Efficiency

- What is meant by "embodied energy?" Every brick in a building required the burning of fossil fuel in its manufacture, and every piece of lumber was cut and transported using energy. As long as the building stands, that energy is there, serving a useful purpose. Destroy a building and the energy is not only gone forever but we burn new fuel to replace the structure. It has been estimated that the embodied energy that is lost with the demolition of a typical small urban house is equivalent to the energy saved by recycling 1.34-million aluminium cans. Simply put, the total energy that is lost with the destruction of a building is immense
- "From the perspective of embodied energy, every building, no matter what its condition, has a large amount of energy locked into it. This is yet another factor in favour of conserving and restoring old buildings…As buildings become increasingly energy efficient, the energy required to create them becomes proportionately more significant in relation to that required to run them. This is particularly true because some modern materials, such as aluminium, consume vast amounts of energy in their manufacture. The greenest building materials is wood from sustainably managed forests. Brick is the material with the next lowest amount of embodied energy, 4X that of wood, then concrete (5X), plastic (6X), glass (14X), steel (24X), and aluminium (126X). A building with a high proportion of aluminium components can hardly be green when considered from the perspective of total life cycle costing, no matter how energy-efficient it might be." *Architectural League of New York*
- "According to a formula produced for the Advisory Council on Historic Preservation, about 80 billion BTUs of energy are embodied in a typical 50,000-square-foot commercial building. That's the equivalent of 640,000 gallons of gasoline. If you tear the building down, all of that embodied energy is wasted…" (Richard Moe, "Sustainable Stewardship" 2008)

Waste Reduction

- Demolishing a 50,000-square-foot commercial building creates nearly 4,000 tons of waste. That's enough debris to fill 26 railroad boxcars – a train nearly a quarter of a mile long, headed for a landfill that is already almost full." (Richard Moe, "Sustainable Stewardship" 2008)
- Canada sends 10 million tonnes of demolition and construction material to the landfill every year
- 2.2 million tonnes of demolition and construction waste is generated in Ontario alone ("Ontario's 60% Waste Diversion Goal," Government of Ontario, 2004)

Curing of Urban Sprawl

- Urban Sprawl - Investments in historic structures maximize use of already existing infrastructure and offer alternatives to urban sprawl commonly associated with new development. Other factors include reduced economic efficiency and farmland and habitat destruction (including aggregate mining for sand, gravel and crushed rock)

Economic Advantages of Building Reuse

Urban Revitalization

- Revitalization Catalyst — "The renewal of income-producing properties attracts new businesses and residents, and increases property values. A 2003 study showed that investments in the rehabilitation of the historic Stanley Theatre in Vancouver, B.C. stimulated: a 21 percent increase in restaurants, cafes and bars in the nearby area; retail sale increases of 107.7 percent, or $112 million, which generated an additional $8 million in sales taxes and $9 million in GST; and real estate price increases of 72 percent outstripped Vancouver residential market increases." (CMHC, 2006)
- Another of our own Heritage Resources Centre studies conducted in 2006 and entitled *The Lazarus Effect: The Economics of Adaptive Reuse of Buildings in Ontario* found that even without Federal Tax Incentives virtually all of the regeneration projects examined were either more cost effective or resulted in a greater return on investment than new building. Modern Federal Tax Incentives would greatly increase the number of viable, profit generating urban renewal projects in Canada

Job Creation

- A United States study found that public works money invested in the rehabilitation of heritage buildings generates more jobs and income than other types of construction.

Type of Investment	Jobs Generated	Income Generated	Increase in the GDP
Rehabilitation of Non-residential Heritage Building	38.3	$1,302,000	$1,711,00
New Non-residential Building	36.2	$1,223,000	$1,600,000
Highway Construction	33.6	$1,197,000	$1,576,000

(New Jersey Historic Trust, 1997)

Cost Effectiveness

- Rehabilitating heritage buildings is more cost-effective than demolishing and then constructing new buildings. Canada Mortgage and Housing Corporation (CMHC) estimates that converting non-residential buildings to housing can cost 5-15% less than demolition and new construction. The financial benefits come from:
    - The pre-existence of the building shell, including the walls, structure, floors and possibly the mechanical, electrical, and vertical circulation systems
    - Construction is faster, causing savings in "bridge financing"

- The building is already supplied with water, sewer, and electrical services
- There is usually increased flexibility in unit design due to such things as higher ceilings
- Surrounding neighbourhoods are less resistant since the conversion will often mean the area is being upgraded and is less disruptive than demolition and new construction. This speeds project approval and lowers financing costs

(CMHC, 2006)

What Tax Incentives Will Do

- In a pilot program designed to 'test' the appetite and benefit of a potential tax incentive, the former ***Commercial Heritage Properties Incentive Fund*** (CHPIF) offered financial incentives to attract developers to rehabilitate historic buildings. The results were impressive: a total of $21.5 million in federal contributions spread across 49 projects leveraged more than 8 times that amount in private sector investment ($177.2 million) and gave empty, derelict buildings vibrant new uses

- Established in 1976, the *US Historic Rehabilitation Tax Credit Program* provided a 25 percent federal tax credit for rehabilitation of heritage buildings (later reduced to 20 percent), and a 10 percent tax credit for the rehabilitation of non-heritage, non-residential buildings built before 1936. The Results are visible in every region of the United States:
    - Over 32,000 properties rehabilitated by the private sector
    - Over $36 billion in private investment in historic buildings leveraged (with a 5 to 1 ratio of private investment to federal tax credits)
    - An average of 45 new jobs created by each project
    - Over 350,000 housing units created, 60,000 of them low and moderate income housing
    - Increased property values and enhanced state and local tax revenues

- 29 US States have enacted their own state tax credits for historic rehab to dovetail with US federal credits
    - In Maryland, the heritage tax credit program assisted more than 1,000 rehab projects, leveraging $400 million in private investment from $90 million in tax credits
    - Between 1997-2001, the Virginia Historic Tax Credit program supported 264 projects, incurring $316 million in eligible rehabilitation expenses. Approximately $67 million worth of tax credits have been awarded
    - Between 1998 and 2001, Missouri Historic Preservation Tax Credit redeemed $58 million in tax credits for 109 projects leveraging an investment of $278 million.

We urge the Standing Committee on Finance to recommend the adoption of an appropriate *Tax Incentive Program for the Reuse of Heritage Buildings* in Canada

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