

**Recommendations for Budget 2009**  
**Brief to the House of Commons Standing Committee on Finance**

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Thank you for the opportunity to provide input to the House of Commons Committee deliberations on Budget 2009. The recommendations that follow are based on my company's experience in commercial real estate and heritage building rehabilitation. We believe that federal incentives for heritage conservation are needed to stimulate local economies, encourage recycling and waste reduction, and preserve those historical elements of built heritage that form the unique character of Canada's communities.

Recommendations

1. Establish a federal tax-credit based incentive to encourage rehabilitation of commercial heritage properties, based on the success of the recent Canadian pilot program (the Commercial Heritage Properties Incentive Fund - CHPIF) and on the US federal rehabilitation tax incentive.
2. Establish a national fund as part of the proposed Canadian National Trust to provide support to restoration projects undertaken by private owners and non-profit organizations.

Background

Our firm, Commercial Properties Limited, has recently completed a major project to rehabilitate an entire block of late-Victorian (built 1877-1881) commercial buildings in the landmark King Street location in Saint John's downtown. Known as CenterBeam Place, this block of historic buildings totaling over 100,000 square feet is proving that heritage spaces can be rehabilitated and restored for 21<sup>st</sup> century businesses. The project attracted the Canadian headquarters of CenterBeam Inc., an information technology firm based in San Jose, California, and has sparked new commercial/redevelopment interest in the real estate of the entire downtown area, commonly known as the "Trinity Royal Historical Area". The completed project and the broader revitalization activity it has generated is already benefiting the local community, and will ultimately contribute to

New Brunswick's and Canada's tourist industry by retaining the unique 19<sup>th</sup> century character of this part of the country. Given that all Canadians benefit from such initiatives, it is appropriate that governments provide incentives to encourage owners and developers in this regard. This in fact has been the case for our project.

The CenterBeam Project benefited from the following programs:

- The most significant and impactful program, the Commercial Heritage Properties Incentive Fund (CHPIF). Our project received essential support from this federal heritage incentive program. The money provided by this program was invaluable in funding those areas of the project that were completed in full compliance with the Parks Canada Guidelines for the Preservation of Historic Buildings. This pilot program ended in September 2006. The federal grants we were awarded not only supported the infrastructure and repairs essential to making the buildings usable, but ensured that the restoration was also carried out in such a way that the historic nature and elements of the structures was preserved and protected. CenterBeam Place was deemed eligible for grants totaling up to \$1,000,000
- New Brunswick's Property Tax Abatement Program for Heritage Properties, which allows the property owner to pay a reduced property tax bill over a five-year period. The property's completed value is taxed at a 25% rate of the provincial property tax rate initially, and then the tax escalates by 25% per annum until the owner is paying the full tax due at the 100% rate. However, that program alone is not enough to attract developers to heritage projects.
- Other local programs provided by the Municipality of Saint John

Based on our experience, and on the results of other CHPIF-supported projects across the country, we believe that it is imperative that a federal rehabilitation incentive should be reinstated for commercial projects, and that it be a program with a tax-credit incentive. A tax-based incentive is preferable because it provides more certainty and predictability to a commercial developer than a grant. Because it is a tax credit program, it would ensure that the financial support is only received when the project is generating income. Finally, a tax-credit program would be a much easier program for the government to administer, than the pilot CHPIF's direct grants approach.

However, this new Commercial Historic Properties tax credit program will not address the issues that exist with those non-revenue producing historic structures, which are also in need of assistance and guidance. We recommend the creation of a parallel funding program for historic sites that do not generate tax revenue. Across Canada, there are churches, not in service railway stations, lighthouses, barns and other structures of national and local significance, and many private owners, non-profit groups and volunteers working to preserve them. But there is no reliable and predictable source of financial assistance or information for the bricks-and-mortar work required to keep these places in reasonable repair. A national fund created with federal startup funds would be the starting point to attract private donations to preserve these historic places. In order to

be viable, such a fund would initially require startup-capital, and then a commitment to invest in its ongoing management and fundraising expertise. The Federal Government is aware and supportive of the concept of creating a Canadian National Trust. Indeed, this should be a launching cornerstone program of the new National Trust, which was announced in Federal Budget 2007. We are aware of the Heritage Canada Foundation's experience and research in this area, and its interest in acting as the private sector fundraising partner for such a venture.

#### Lessons learned from CenterBeam Place:

*Rehabilitation incentives encourage owners and developers to bear the risk and finance the extra cost and complexity of heritage projects.* Heritage work can be significantly more challenging and costly than new construction, requiring more labour, project management effort and design expertise. At CenterBeam Place, the buildings did not meet building codes, and many of their materials and systems were seriously deteriorated. Addressing the structural issues included reinforcing the original posts and beams. Core drilling was required to route thousands of metres of new mechanical systems through shale foundation rock walls nearly two metres thick. The reuse of existing window structures (that were salvageable) and the replacement of failed elements with historically consistent windows fabricated from historically consistent materials and designs. Slow and meticulous hand labour was required to protect the original structures and their unique features from damage. The result is a renewed landmark for today and for future generations. However, without the incentives this project received, few developers would take on such cost and complexity, and Canada's built heritage will continue to disappear, building by building.

*Rehabilitation work creates jobs and benefits local economies.* The CenterBeam project created a mini-boom in construction and specialist trades in Saint John, and contributed to sustaining specialist trades like wood window repair, traditional stone masonry and decorative metalwork. We know that the US federal rehabilitation tax incentive has, over time, built a strong preservation industry and sustained many heritage trades. Canada's economy could benefit from the same kind of boost.

*Rehabilitation of existing buildings is good for the environment.* We can't build our way out of our environmental crisis. We have to re-use and recycle our existing buildings. By re-using the entire city block of buildings that make up CenterBeam Place, we kept many thousands tons of building material out of landfills – for example, salvaging, cleaning and re-using 10,000 bricks in Phase 1. The standards imposed by the pilot rehabilitation incentive program (CHPIF) required a 'minimum intervention' approach which encouraged the re-use of existing materials, meant less material was discarded during the course of the work. More importantly, greenhouse gas emissions are reduced when there is less demolition and less production and transportation of new materials to the job site. Creating an incentive that attracts developers to existing buildings makes perfect sense in this era, with so much interest in reducing landfill and green house gas emissions.

## Conclusion

It is essential that Canada's commercial historic buildings be preserved for the benefit of our communities and for future generations. In addition, when building rehabilitation takes place, it must be done in such a fashion, that preserves the essential significant distinctive historical elements of those structures. A federal government incentive program to attract developers to historic buildings could be successfully stacked with existing and new provincial incentive and municipal programs to make commercial rehabilitation projects viable.

Further, a source of funding to support restoration efforts by private owners and non-profit groups would help preserve Canada's significant non-commercial historic structures for future generations.

By acting on both of these recommendations, the Government has the opportunity to make good on its commitment to a Canadian National Trust in a practical, progressive and results-oriented way.