Responding to Issues Raised about Bill C-323 by the Office of the Minister of Finance and Others

Government officials have questioned the cost of the measures proposed in Bill C-323; that there is no upper limit to contain costs; that new resources will be needed to administer the incentives to ensure the quality of the work and eligibility for the tax credit.

Response: A tax incentive for heritage buildings was actively designed, examined and costed by Parks Canada staff under a previous Liberal government. The study modelled the cost and benefit to government over time. We urge the government to revisit this analysis and keep its promise to "*examine measures that promote the preservation and rehabilitation of Canada's heritage buildings."*

Government officials have noted that there are already incentives in the Income Tax Act that encourage donations to charities that hold heritage properties. Why are more needed?

Response: Measures included in Federal Budget 2015 were designed to promote donations of private shares and real estate to charities, by offering capital gains exemptions for such donations. Those measures may indirectly benefit a modest number of heritage buildings held by charities, such as places of faith, or museums. However the proposed measures in Bill C-323 would target a very different and much larger universe of owners and properties and would have a more substantial economic stimulus impact, because they require at least 5 times the investment in renovation and rehabilitation by a private sector owner.

Actually, the Canadian tax system does not accommodate historic buildings very well at all:

A few specific issues:

- Owners cannot get a clear explanation from tax officials about which types of rehabilitation work is expense-able, so it is unnecessarily difficult to develop a balance sheet and get financing for a project.

- Historic buildings are disqualified from the GST New Housing Rebate, even when new units are inserted into an existing residential building.

- To be eligible for the GST rebate for "Substantial Renovations", the owner must rip out 90% of the non-structural fabric of the building. This penalizes renovators who want to respect the character of their buildings (and seems to fly in the face of the principles of sustainable development).

These situations distort the economics of reusing and rehabilitating buildings, and can promote demolition. No wonder 30% of Canadian landfill is construction and demolition waste.

Government officials suggest that incentives like those proposed in Bill C-323 would only benefit wealthy individuals, and that not all properties would be open for the public to enjoy.

Response: That might happen in some cases – but the reality is that the majority of Canada's heritage buildings are in the hands of the middle class, some of them located in areas of deprivation, starved for repair and investment. Incentives can help kick-start these places into sustainable new uses, and motivate owners who might otherwise find demolition and new construction to be the more lucrative option.

Incentives for heritage buildings recognize that the historic environment is a shared legacy and a public benefit. Owners of designated buildings bear the financial burden for that public benefit, and incentives can help level the playing field.

It should be noted that the Government's Eco-Gifts Program offers tax benefits to owners of environmentally sensitive lands, many of which are likely inaccessible to the public, and which in some cases may belong to Canada's wealthiest citizens – but few would argue with the social and environmental value of incentivizing the protection of such places. The proposal for tax benefits to attract investment in historic properties has similar social and environmental benefits and a similarly broad range of potential beneficiaries.

Government officials indicate that because all provinces, territories and municipalities have rules to protect designated historic properties, Bill C-323 would simply provide a windfall gain for owners of designated properties as they're already required by law to maintain such sites.

Response: This statement misses the point of the incentive, which is to provide a financial "carrot" that balances the financial loss of foregoing development potential inherent in designation, and the higher costs of maintaining a building made up of costly and complex building materials.

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