

Federal Election 2021

**Why Heritage Places Matter:
Climate Action, Reconciliation, and Job Creation**

By: National Trust for Canada



The potential to achieve important gains for the environment, the economy, and society through federal measures and policies for heritage places is enormous.

Why? Because investments in heritage places are an ideal target for climate change action, Reconciliation initiatives, job creation and post-pandemic economic recovery programs:

- Heritage places – urban, rural, and Indigenous – exist across Canada;
- Rapidly accelerating building reuse offers one of the quickest ways to help achieve Canada’s climate change goals. Adaptive reuse and retrofits of existing buildings reduce GHG emissions and demolition waste, and capitalize on materials, energy, and sunk carbon already invested;
- Supporting the capacity of Indigenous Canadians to preserve their cultural heritage is essential to Reconciliation and the future of Canadian society;
- Projects at existing buildings create at least 21% more jobs than new construction, with less “leakage” out of the Canadian economy for foreign goods;
- Funding will leverage private sector investment and other financial instruments;
- Investments in their infrastructure will provide increased stability for the charitable, non-profit and heritage tourism sectors; and
- Healthy and vibrant main streets and neighborhoods strengthen social cohesion and drive local economies.

The Federal Government has been largely absent from the heritage places sector since 2007. In 2017, however, the House of Commons Standing Committee on Environment and Sustainable Development released the ambitious, watershed Report 10: Preserving Canada’s Heritage: The Foundation for Tomorrow which identified the need for federal leadership and outlined 17 recommendations for action on Canada’s heritage places.

Below we highlight those measures with the greatest potential impact.

1. How will Your Party Address Climate Change by Encouraging Building Reuse?

- **Government of Canada can reduce greenhouse gas emissions and landfill with policies and tax measures that encourage re-use and retrofit of existing buildings** (Recommendation 11 in Preserving Canada’s Heritage: The Foundation for Tomorrow). The greenest building is an existing building. **Renovating and preserving existing buildings cuts Greenhouse Gas Emissions and decreases landfill** by preserving the sunk carbon and natural resources used in their original construction, and avoiding the carbon and resource extraction generated by new construction. Each year, Ontario alone produces 14.2 million tonnes of construction, renovation and demolition waste which represents about 2 million tonnes of CO₂.

- Canada needs programs that simultaneously create a strong economy and reduce climate impacts. An ideal approach is a **tax measure or grant program to stimulate investment in energy retrofitting, and in the repurposing of existing properties for productive new uses**. A program could target projects to adapt derelict commercial properties, former industrial sites, or surplus faith properties – attracting private investment and keeping them out of landfills.

Some developers successfully restore heritage properties, but this happens too infrequently. This can be addressed through **federal income-tax-based incentives to attract corporate investment** to revenue-generating heritage properties – a measure that has widespread support from provincial /territorial governments, 33 municipalities, and the Federation of Canadian Municipalities. The potential can be seen in the US, where longstanding heritage tax credits have leveraged more than 5 times their value in private investment, created 2.5 million jobs, preserved more than 46,000 historic properties, created hundreds of thousands of affordable housing units, and stimulated a booming heritage rehabilitation and renovation industry.

- Further, the Income Tax Act’s **Capital Cost Allowance** rules should be amended to clarify which types of rehabilitation work can be expensed in the current tax year, versus those that must be capitalized and depreciated over many decades. This confusion can have a major impact on the after-tax cost of a project and discourage investment.

The National Trust’s Pre-Budget Consultations 2022 Recommendations:

- Promote building reuse and heritage-led development by providing at least \$500 million in grants or other incentives for deep green retrofitting, rehabilitation or adaptive use of commercial heritage buildings, cultural infrastructure, and social purpose real estate. Include revenue-generating properties that yield increased tax revenue, as well as properties owned by nonprofits and charities.
- Contribute significantly to Canada’s decarbonization goals by correcting biases in the federal tax system promoting needless demolition, resource extraction, and new construction, and introducing incentives to attract investment to building reuse. Possible actions include addressing terminal loss provisions that make demolition attractive, and introducing a new rehabilitation tax incentive modelled on the US Federal Historic Preservation Tax Incentive.
- Recognize the material value of older buildings and help consumers weigh the climate impact of building reuse versus new construction, by integrating embodied energy/carbon measurement tools into the Canada’s Carbon Pollution Pricing System, federal funding programs, and space procurement.

2. How Will Your Party Support Indigenous Cultural Heritage Capacity and Reconciliation?

The Government of Canada must contribute to Indigenous culture and the reconciliation process by supporting the efforts of Indigenous Peoples to save and renew places of significance. (Recommendations 15 and 17 in Preserving Canada's Heritage: The Foundation for Tomorrow). Funding for the Federal Government's response to the **Truth and Reconciliation Commission's Calls to Action** must include funding to support the efforts of Indigenous Peoples to save and renew their heritage places, and commemorate their contributions to Canada's history. The dollar value, terms and conditions should be established in accordance with the collaborative approach called for in Call to Action 79.

The National Trust's Pre-Budget Consultations 2022 Recommendations:

- Strengthen the essential leadership capacity needed to advance cultural heritage priorities that are of importance to Métis, Inuit, and First Nations Peoples in Canada by creating an endowment or other form of stable ongoing funding for the Indigenous Heritage Circle, a national nonprofit.

3. How Will Your Party Create Green Jobs That Equip Industry to Re-Use Existing Buildings and Renew Heritage Infrastructure?

The federal government can unlock capital and create new green jobs by encouraging commercial investment in heritage properties (Recommendation 11 in Preserving Canada's Heritage: The Foundation for Tomorrow). Rehabilitating older/heritage commercial areas, neighbourhoods, or buildings creates jobs and improves the quality of life for local residents. In addition, these places are a key part of our national tourism industry, attracting millions of visitors from within Canada and abroad. Studies in Canada and the United States consistently demonstrate that projects at older/heritage buildings create at least 21% more jobs than new construction, with less "leakage" out of the Canadian economy for foreign goods. With the retrofit economy gaining momentum as a key pillar of climate action, the next wave of "green" worker/professional will need to be skilled in building reuse to ensure maximum carbon and resource extraction reduction impact.

Government can also encourage corporate and citizen philanthropy to transform the future of heritage places and create green jobs (Recommendation 10 in Preserving Canada's Heritage: The Foundation for Tomorrow). There are thousands of heritage places that could benefit from private donations, corporate philanthropy and crowdfunding. Seed funding for renovation and restoration could unlock economic potential and social capital and create jobs in urban, rural

and remote communities. This could include investment in capacity-building for charities in the heritage sector; and creating predictable sources of federal matching funds or seed money that grass-roots groups and charities could use to stimulate investments by private donors and attract corporate support. Expanding existing funds like Parks Canada's **National Cost-Sharing Program for Heritage Places** could help fund essential work at National Historic Sites, Heritage Lighthouses, and Heritage Railway Stations – with an estimated leveraging effect of 5 times the Federal contribution. Federal governments in other countries have benefited from investing in capacity building and seed funding to build a culture of philanthropy for heritage. Save America's Treasures was an effective partnership between the US National Trust, the National Park Service and other US federal agencies, with the US National Trust leading efforts to secure \$55 M in matching corporate donations and offer technical support to funding recipients.

The National Trust's Pre-Budget Consultations 2022 Recommendations:

- Prepare the construction sector to accelerate green rehabilitation and reuse of older/heritage buildings, by funding a rapid scale-up in heritage conservation education and trades training at post-secondary institutions, with a focus on reusing existing buildings for climate action impact.
- Create green local jobs that renew Canada's National Historic Sites, Heritage Lighthouses, and Heritage Railway Stations by providing at least \$60 million over 5 years in matching grant funding to the National Cost-Sharing Program for Heritage Places – a program shown to leverage up to 5 times the federal contribution in local jobs and other spending.
- Foster the next generation of cultural heritage workers and build essential capacity for heritage organizations and conservation programs in the not-for-profit sector by expanding, and providing stable, ongoing funding for youth job creation such as the Young Canada Works Program.

What National Trust's Pre-Budget Consultations 2022 Recommendations will accomplish:

Canada became a signatory to the COP 21 Paris Agreement in 2015, committing to a 30 per cent reduction of greenhouse gases (GHGs) from 2005 levels by 2030, and a goal of net zero carbon emissions by 2050. Rapidly accelerating building reuse offers one of the quickest ways to help achieve Canada's climate change goals. The construction and building operation sector is widely understood to be Canada's largest single source of energy use and emissions. 40% of carbon emissions relate to existing buildings – construction and operation – and these investments will bring dramatic decarbonization returns.

Investing in the rehabilitation of heritage buildings is a key component of the low carbon economy: building renewal and re-use capitalizes on materials and embedded carbon already invested, reduces construction and demolition waste, and avoids environmental impact

associated with new development. Studies have established that it takes between 10-80 years for a new “green” building to overcome the carbon impacts of its construction. Reusing and upgrading existing buildings – as opposed to their demolition and replacement with new buildings, even energy efficient “green” ones – would have a substantial immediate and long-term impact in achieving carbon emission reduction targets that are an essential response to the climate crisis. Capitalizing on the embodied energy of existing buildings and avoiding the carbon emissions and other environmental impacts arising from the material fabrication and construction of new buildings should be the norm. The House of Commons Environment Committee Report, Better Building for a Low-Carbon Future (2018) recommended that “the federal government take steps to recognize the value of embedded carbon in existing construction.”

A key action of the Federal Climate Action Plan (2020) involves planting 2 billion trees. There is the opportunity to double the impact, however, by reusing existing buildings and not cutting down two billion mature trees – a carbon sink remains intact and tremendous ecology disruption is avoided. Canada landfills an estimated 1,391,300 tonnes of wood CRD (Construction-Renovation-Demolition) waste each year, a large percentage of it precious old-growth lumber from demolished older homes and buildings. Yet the potential to capitalize on the climate action opportunities presented by building reuse are hindered by systemic and cultural barriers - physical, regulatory, economic, and attitudinal – and the needless demolition of existing buildings continues apace.

The middle-class green job creation potential for investments targeting Canada’s older/heritage places is vast: many billions of dollars in capital repair, energy retrofits and adaptive re-use could be generated at some of the 437,000 pre-1960 commercial and industrial properties; 1,000,000 pre-1960 apartment units; 27,000 places of faith; as well as thousands of institutional buildings in private and public ownership. Government investments in heritage places regularly leverage at least 5 times more in private investment, create new green jobs; renew, adapt and retrofit existing infrastructure; produce new revenue-generating space; create new affordable housing units and more.

Older/heritage building reuse and will help spur the green jobs of tomorrow. The Federal Climate Action Plan (2020) notes this important shift: “Investments in home and building retrofits will spark a wave of new jobs and careers. This means more local jobs in small and medium-sized businesses installing more energy efficient heating and cooling equipment and insulation, work for architects and engineers designing new net-zero buildings, and increased demand for energy auditors in communities across Canada” (11). The next wave of “green” worker/professional needs to be skilled in building reuse to ensure maximum carbon reduction impact. These jobs will contribute more to local economies than new construction which relies heavily on imported materials and technologies.

Additional funding for heritage conservation education and training will be required. Ill-considered retrofits may do more long-term damage than good to existing buildings. Retrofit

codes need to build on the heritage conservation principle of minimal intervention and building-specific solutions to achieve stronger carbon emission avoidance and maximize lifecycle benefits.

From an economic impact perspective, there are compelling precedents for the recommended federal investment measures directed at older/heritage places. In the United States, the Federal Historic Preservation Tax Incentive has distinguished itself as one of the nation's most successful and cost-effective community revitalization programs. Since its launch in 1976, it has leveraged \$102.64 billion in private investment (5 times the value of the federal tax credits provided), created over 130,000 jobs each year (construction, manufacturing, services, retail trade, etc.), preserved 45,383 historic properties, and enabled 172,416 affordable housing units. A comparable Canadian federal incentive program for commercial heritage properties (2005-2008) provided 20% of eligible project costs with a maximum grant of \$1 million, and yielded impressive results: federal contributions of \$14.95 million leveraged \$143.4 million in construction costs, created 1,465 person years of employment, and gave derelict heritage buildings vibrant new community uses.

Directing federal investment to heritage places will reach beyond major cities and have immediate and measurable impacts on the economies of small town and rural Canada, as well as Indigenous communities. Funding could flow without delay to projects large and small through existing mechanisms such as Regional Economic Development Agencies, the Cultural Spaces Canada Program and Parks Canada's National Cost-Sharing Program for Heritage Places.

For more detail on what the heritage sector believes should be discussed by all Federal Parties during Election 2021:

Natalie Bull

613-237-1066 Ext. 222

nbull@nationaltrustcanada.ca

Chris Wiebe

613-237-1066 Ext. 227

cwiebe@nationaltrustcanada.ca

About the National Trust for Canada www.nationaltrustcanada.ca

The National Trust for Canada is a national registered charity that leads and inspires action for Canada's historic places. We know that historic places can be transformed to meet community needs, and we offer tools and resources to help communities do just that. We are connected across the country through our National Council to heritage organizations in every province and territory. Every year thousands of individuals and organizations benefit from our coaching program, toolkits, webinars, and national conference.