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Chair

Mrs. Deborah Schulte

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• (0845)

[English]

The Chair (Mrs. Deborah Schulte (King—Vaughan, Lib.)): Good morning, everyone. Welcome.

Pursuant to the order of reference of Thursday, March 23, the committee commences consideration of Bill C-323, an act to amend the Income Tax Act (rehabilitation of historic property). As the summary says, this enactment would amend the Income Tax Act to establish a tax credit for expenses related to the rehabilitation of historic property. It also establishes a tax deduction for the capital cost of property used in the course of such a rehabilitation.

I would like to welcome Honourable Peter Van Loan to the table. If you're good to go, we'll open the floor to you.

Hon. Peter Van Loan (York—Simcoe, CPC): Thank you very, very much.

Thank you for the work you've already done studying the issue of heritage in Canada, and now today studying this bill.

I also want to start by thanking in particular John Aldag for the fact that we are here discussing this at all. It has, in my view, as much, if not more, to do with him than with me. That, I think, says something about this bill.

I should say a bit about why I chose this as the subject for my bill.

I'm a former House leader. I have no illusions about my ability to count. I knew if I wanted to have something that was going to have any prospects of success, I would have to select a subject matter that was worthy, that was non-partisan in nature, that could do positive things for the country, and that, as a result, could earn support from all sides. This bill is exactly such a bill, and it addresses what I think has been an outstanding policy need in our country for some time. In fact, this bill builds on work that was done previously under both Conservative and Liberal governments but that has never been brought to a satisfactory conclusion. You, as a committee, have an opportunity to complete that work and to fill a very important policy void, at least in part, obviously not in its entirety, that calls out for federal involvement, as I think you heard from many witnesses.

The purpose of Bill C-323 functionally is to establish a tax credit for 20% of the cost of the restoration of heritage buildings. The rest of the cost, the remaining 80%, would then also be able to benefit from an accelerated capital cost allowance, for a three-year writeoff, whereas a normal project of that type might take a little longer to write off under the tax rules.

The tax credit and the accelerated capital cost allowance would apply only to properties that are on the Canadian Register of Historic Places, so in that sense their impact is limited and their scope is limited. As well, the work that was done, the costs for which the benefit of the credit is being sought, would have to be certified by a professional engineer as having followed the "Standards and Guidelines for the Conservation of Historic Places in Canada", which have been prepared by Parks Canada. It should be noted that both the Canadian Register of Historic Places and the "Standards and Guidelines for Conservation of Historic Places" were developed within the Department of the Environment in anticipation of exactly a tax credit policy such as this, and they are there to support it. So we're in the fortunate position of being able to bring forward legislation for which that infrastructure has already been built in the department with legislation like this in mind.

Why does it matter that we preserve heritage buildings? When we think about the places we like to visit, the places that attract people from around the world, we think of places like London, Rome, St. Petersburg, and Paris. People want to go there because they will be surrounded by beautiful heritage buildings. Those buildings help to define those places. They tell us who we are. They tell our stories. And it's no different here in Canada. In Canada the places we find enjoyable to visit, the places where people want to gather and want to go are overwhelmingly the places with well-maintained and preserved heritage areas. Think of the Distillery District in Toronto or the Old Port in Montreal. Think of quaint small towns, whose main streets you like to visit and shop in. There's a reason for that, which is that those places tell our stories. We feel when we are there that we are absorbing what's gone before us, what has made us what we are, and what a place is all about, in a very physical way.

I think that's one reason it's important. But why take the step forward in terms of a tax credit to help preserve these buildings? The reality is, as anybody who has been involved in owning a heritage building or in a business that's in one knows, that while there's a strong public interest in preserving such buildings and seeing the restoration, there is an extraordinary cost. The cost of preserving a heritage building is usually well in excess of the cost of demolition and new construction of something equivalent. We've lost 20% of our national heritage over recent decades, according to evidence you've heard, because sensible people in business, who look at the cost of restoration and look at the cost of new construction will usually opt for new construction because it is financially advantageous.

●(0850)

When we ask individuals to restore and preserve a heritage building because it's good for society, it's good for the community, we are asking them to assume privately the cost of maintaining what is a public benefit for the entire community. The policy rationale is if we're asking them to bear that public burden privately, it is incumbent upon us to assist them somewhat, in fairness, if we actually want to see those historic buildings preserved. When a heritage designation falls on a property, that is one of the consequences. We put barriers in front of what they can do with it, and so on. Our laws fundamentally respect property rights. Those are not permanent barriers ultimately.

There's always the option of demolition. There's a real cost there. We don't want to see that demolition occur. We want to see the buildings maintained, restored, and become vital parts of the community. That's why the policy rationale for this bill is solid. If we accept that heritage buildings are a value, is this the right approach, correct approach, or positive approach to preserving them?

This tax credit is very much modelled on a U.S. program that you did hear evidence about, the heritage restoration tax credit. That program has been highly successful over recent decades. It's a rare program that actually returns more to the public purse than it takes away from the public purse. There have been abundant studies to that effect. You heard about the Rutgers study that regularly looks at it on an annual basis, and calculates that for every dollar impact on the public purse in terms of a credit going out, \$1.25 or more gets returned to the public purse every year in the United States.

I'm often skeptical of these kinds of arguments because anybody who has been.... I think of Mark here. As a mayor he probably had all kinds of economic input. The basic rationale tends to be that if you just spent all the money there was in the world, we'd all be millionaires, because that's the kind of economic impacts these people put in front of you. This is actually a different kind of case. These have been so clearly studied and the results are so apparent.

I look at the Urban Land Institute which operates here in Canada as well as in the United States, and also around the world. It puts out a quarterly magazine. I was looking through it about six months ago, as we were working on this bill, for totally separate reasons just because of my interest in these things. What struck me was that it was an edition where it focused on all the top projects in North America. Virtually every single one in the United States that was a success story had taken a derelict downtown area and made it into a vibrant hub of commercial, economic, retail, and entertainment activity where people wanted to go. Almost every single one involved heritage restoration and a heritage restoration tax credit.

These have all been showcased as the best projects in the country. The fact that the restoration tax credit was present in virtually every one of them spoke volumes to me in a country like the United States where there's no real kind of planning push against suburbanization like we have here. I saw in that the very real economic impact that was occurring.

In the U.S., about \$1 billion a year is spent on these credits, or at least those are the benefits that go out in the credits. They tend to generate about \$5 billion a year in economic activity, and about

\$1.25 billion a year goes back to the public purse. They're netting out in a positive result to the public purse. That's very significant, and the evidence is there, as I said, from the Rutgers study and elsewhere.

In Canada, we've had a little bit of an example. We had a trial program which was a grant-based program, but Deloitte did some work reviewing its success in looking forward to a tax credit program. By its projections, we would have a similar kind of return here based on the evidence in front of you from witnesses between \$1.25 to \$1.90 for each dollar that would be a credit impact. You would have that much going back to the public purse. There would actually be a net gain.

It's not the only place where that's happened. I use the analogy, and some people have said this is a boutique tax credit. In fact, I put more on the grounds of something like the science, research and experimental development tax credit, a tax credit that we engage in the society, because we want to encourage certain economic activity that's desirable to make our economy and our country a better place. In Canada, that's about \$4 billion a year, I believe. About 85% of our research and development spending goes out through that credit. It's done by the government, because we believe it is a worthy way of encouraging desirable economic activity that makes our country stronger and creates economic growth. If you're talking about analogies, that is the strongest analogy to that kind of a tax credit, the SR and ED credit compared with what we are talking about here.

●(0855)

I want to draw your attention to an amendment that needs to be made here. It is only in the French-language version, at line 11, on page 3. Right now, the way it reads, the way it was originally drafted, basically the effect is that the capital cost allowance would be applied against income tax payable, rather than deducted from your income from which tax payable would be calculated, so you'd be getting two credits instead of an accelerated capital cost allowance. We need to correct that, so we're asking

[Translation]

that Bill C-323, in clause 1, be amended by replacing, in the French version, line 11 on page 3, with the following:

déductible dans le calcul du revenu d'un contri-

[English]

The way it would be calculated, the capital cost allowance goes against the revenue that's going to be taxed.

I'm happy to take as many questions as you have.

The Chair: You're going to leave that with us, the changes that you have submitted.

Hon. Peter Van Loan: Yes, I believe we have submitted it.

The Chair: Okay, great. Thank you very much.

I welcome Richard Cannings and Peter Schiefke to the committee today. Thank you very much for joining us.

We'll start with Mr. Aldag.

Mr. John Aldag (Cloverdale—Langley City, Lib.): Thank you and good morning.

Thank you, Peter, for the work you've done on this. It is a discussion that's timely to have in our country. As you mentioned, it has been discussed for a long time and we've never quite reached the end goal, the end point on it, so it's good that we're having this conversation.

I don't know if you covered it in your comments, but I wonder if you've been able to cost out or have looked at what the overall cost to implement this would be. Has any estimate been put to the tax credits as you've outlined with the amounts you've put in and the projects that would be considered?

Hon. Peter Van Loan: There is a wide range. I know you had evidence that saw it having a much more modest initial cost, but ultimately, at full operation, it would be a \$55-million annual impact, which would be offset by about \$14 million more than that in tax revenues. That was based, in the Deloitte study, on 22,000 properties in the national register. Right now, there are about 13,000 properties in the national register.

That said, there are other estimates that go a little higher and some that go a little lower. The initial figure I received from earlier work that the department had done was about \$44 million, but that was a bit dated, so the \$55 million, to me, seems reasonable. Of course, this is a hypothetical guess on what the uptake will be. The highest figure I've seen is still well short of \$100 million a year in terms of impact on the fiscal framework.

By contrast, you have evidence that the current parliamentary renovations, the House of Commons renovations that are taking place in West Block, are going for about \$3 billion. Centre Block is projected to be about \$3 billion. Just on those buildings alone, you're talking far more significant costs. We're talking about a program here that will benefit the entire country that is a small amount of that, and all the evidence shows will actually return money, return additional funds to the fiscal framework.

• (0900)

Mr. John Aldag: You're right that I've done a bit of looking into this. I've seen numbers anywhere, as you say, from below \$50 million up to about \$95 million.

Hon. Peter Van Loan: I even saw one that was \$14 million, for the second year.

Mr. John Aldag: Okay.

Mr. John Aldag: When you were pulling together your proposal, you included everything, all the properties listed on the Canadian Register of Historic Places. Did you consider going with a perhaps less inclusive inventory? What took you to that point, in terms of using the Canadian register for inclusion?

The reason I ask is that we had a witness for the heritage study we're currently working on who put forward that perhaps the biggest bang would come from investing in commercial properties and excluding, perhaps, privately owned residential properties.

Do you have any insights you could offer about why you chose to include what you did and whether you looked at perhaps a less inclusive program?

Hon. Peter Van Loan: The first reason is that this is what the register was being prepared for, to support a program such as this. Obviously, at some level, policy-makers wanted to do that.

Second, there's no doubt there may be a greater benefit from commercial properties in terms of what gets returned to the fiscal framework. However, if you look across the full range of our country geographically, small towns, and so on, and where challenges may be greatest, the very tiny amounts that might be spent on restoring Sir John A. Macdonald's summer home in Rivière-du-Loup might be... Well, that's not a good example, because it operates commercially for some of the year. However, for a small place such as that, it might be a tiny, modest amount, but it can have the greatest positive impact in assuring the preservation of that heritage.

Overall, we shouldn't distinguish between commercial and residential and other uses; otherwise, we're going to be driving people to take a place that might be in residential use and put it into commercial use, where that might not be the best way of ensuring the ongoing preservation of its heritage character.

Mr. John Aldag: I am a bit curious.

You mentioned that this is something that's been talked about for a long time under Liberal and Conservative governments. It didn't make it. There was the pilot program, the commercial heritage properties incentive fund, in the early 2000s. I think it might have spanned both the Liberal and Conservative governments.

The government you were a part of was a strong proponent for tax credits. I am a bit curious on how this has never made it forward over the last decade. Were there any reasons? Did it ever come forward? Were there reasons that it didn't advance over the past decade?

Hon. Peter Van Loan: My assessment at the end of the day is that we have something called the Department of Finance. Their default posture is always no. It's no to additional tax credit programs. The only way things like this happen is when politicians choose to exert political will and exercise their authority to give that direction and say, "This is a priority for us. We want to see it happen." We are in the position of being able to do that.

I think we've seen that dynamic at play here already. I don't put it down to a partisan dynamic at all. I put it down to the natural bureaucratic response of a Department of Finance that will say that to any program like this, anywhere.

When you've talked about tax credits in the past, I think it probably would not surprise anyone that none of those came as initiatives from the Department of Finance. They all came as initiatives of politicians, political platforms, finance ministers, prime ministers, whoever thought it was important to do these things. I think we're in a similar situation here in terms of the tax credit.

Mr. John Aldag: Thank you.

The Chair: Mr. Sopuck.

Mr. Robert Sopuck (Dauphin—Swan River—Neepawa, CPC): Thank you.

Mr. Van Loan, it's great to have you here.

In regard to your last comment about the Department of Finance's position always being no, I could not agree with you more. I recall that when we were in government—this is completely unrelated to this study—a number of us proposed a recreational fisheries conservation partnerships program, where the government, DFO, would work with angling groups. The Department of Finance's default position was no. Of course, that was overridden at the political level, and we ended up with 800-plus environmental projects in waterways right across the country. It was a great public benefit.

To the government members here, I think they should heed the wise words of Mr. Van Loan. If it's a good project but the Department of Finance demurs, you should run them over.

● (0905)

Hon. Peter Van Loan: If I could answer, if you ask most people who have been in cabinet, been in government and so on, what regret they have, it would be not exercising that authority they had a bit more often, deferring too often to those permanent forces in the bureaucracy who told them what to do.

I think that when people look back on their careers, having had their opportunity to make a difference, they will ask themselves, "Did I exercise that opportunity to make a difference, or did I let somebody else frustrate my efforts to represent my community and my constituents and do what I thought was right for them?"

It's really incumbent upon us here to do that. Whatever your perspectives, your views, if you represent a perspective and there's something worthwhile for your community, go to bat, make it happen. You will not feel bad about it in looking back on your career.

Mr. Robert Sopuck: That was well said.

On your point about the tax credit program in the U.S. costing \$1 billion, I made the assumption that because we're one-tenth of the size, \$100 million would be the cost in Canada. I'm very surprised and pleased that it's about half of that, in your estimate.

Hon. Peter Van Loan: Well, the biggest reason is that their scope is much broader. We have a very tight limit on the number of properties.

As well, their program also includes a 10% tax credit for non-designated heritage properties that just happen to be old enough. They have a much wider scope for spending on projects than does this bill, which is fairly tightly circumscribed.

Mr. Robert Sopuck: Yes, and not to be flippant about it because I am a conservative after all—every public dollar is precious—but when one looks at the overall federal budget, really, \$55 million is coffee money. The benefit that you've described I think would be quite significant if we were to implement this program.

Could you expand on how built heritage provides the public with a benefit? How would your bill help in delivering this public benefit?

Hon. Peter Van Loan: There's one story I would like to tell you. In my previous life in private practice as a lawyer, I ended up carving out a bit of an area of work where I did a lot of heritage work for some reason or other. It just worked that way. One that my firm was involved in, but that I personally was not, was BCE Place in Toronto.

There was no tax credit like this in place, but the City of Toronto had a policy that if you were preserving designated heritage elements in certain areas of the central core, you got a two-times density bonus. At the corner of King and Bay, two-times density was kind of valuable, and at Yonge and Front streets, that's kind of valuable.

Every year, Andy Barrie on CBC would have a rant one day where he would talk about how great it was that the planners stood up to the evil, rapacious developers and forced them in BCE Place to save that bank building that became the Hockey Hall of Fame, to save the Chamber of Commerce, that gorgeous building that went inside, and to save all that beautiful facade of buildings along Yonge Street, and really protect that heritage character even though it was new construction, and thank God for the planners.

He was right in one regard, except they weren't standing up to the developers. What happened was incentives were put in place in the form of that density bonus. The developers said, "Hey, we want to get that additional density." They hired some historians and heritage experts to make the case on why some of these buildings should be designated and preserved because they were of value. The heritage board for Toronto accepted that. They actually encouraged the process of this preservation so they could capture the density.

The point I'm making is that, with the right incentives in place, you will change the bottom-line equations that affect behaviour, and instead of demolition, you will get preservation. Anybody who has been to BCE Place will tell you that it's wonderful because there are beautiful new buildings that are enjoyable to be in, but there's also beautiful built heritage that makes the neighbourhood and the whole area a very valuable and wonderful place to be. It's a tourist hub, an economic activity hub, and it's positive in all those ways.

Mr. Robert Sopuck: Could you expand on the benefits of heritage preservation over new development in your talk?

Hon. Peter Van Loan: Well, I'm a great believer that it's because of the character in the stories that it tells. You can look at some of these beautiful buildings we lost, and you almost want to cry over what we have lost over the past, especially in Toronto where there certainly was in the 1950s and 1960s a real priority placed. You have lost the story of what the city was about. You actually lose particular buildings. The beautiful residence that was once the home of the Lieutenant Governor of Ontario—gone. It was a place that, if it was maintained today, would be far more attractive for people to visit than, say, Casa Loma or something.

Also, some people point to the environmental benefits of the reuse of buildings, instead of dumping the materials and so on and demolition, but I really think it's the character building and the history storytelling that really make the biggest difference.

● (0910)

Mr. Robert Sopuck: Very well said. Thank you very much.

The Chair: Bang on the money there. Well done.

Mr. Cannings.

Mr. Richard Cannings: Thank you for bringing this bill forward, Mr. Van Loan. I support the bill, the spirit of it especially. Like every Canadian, I really enjoy our heritage. I think it's very important.

Because I wasn't here for the witnesses, I haven't heard all the stories and the testimony around this bill. I imagine a lot of the discussion has been around balancing the benefits to the public good with the cost to the public purse in providing funds, especially providing funds in this case for perhaps wealthier Canadians rather than the middle class.

You mentioned the estimates of benefits to the public purse. Could you perhaps comment to some extent on how confident you are on that?

I want to bring up the example of a few blocks down the street from here where there's a building called Somerset House. Since the early 2000s, the owner has neglected the building, and it partially collapsed in 2007. Now the owner estimates it will cost \$2 million to repair the building. Under your bill, the owner would be eligible for a 20% tax credit for repairing the building. That's \$400,000.

Do you think it's right that taxpayers should be on the hook for that amount of money, and should we perhaps have a cap that owners could claim for each year?

Hon. Peter Van Loan: Well, Somerset House is a complex example, because this is a classic example of demolition by neglect. The reason it now costs \$2 million is that the owner wanted to demolish it and allowed nature to advance that process. The city pushed back hard, to their credit, in trying to keep that building standing, or as much of it as they could. There's a bit of a standoff taking place there.

I think if you had an incentive program like this in place, you wouldn't have had the blighted corner for as many years as we've had it already. There wouldn't have been a \$2-million restoration cost. The restoration cost would have been a little bit lower. That kind of tactic and that kind of approach would start disappearing. To that extent, I think it tells you why you avoid those kinds of things. It's not nice when you go down Bank Street and see what was an obviously beautiful building now fenced off. People stay away. It becomes a no-go corner. It becomes a blighted area, frankly. That's what's happened in the United States. With all these blighted areas that developed for other reasons in downtown areas—deindustrialization, changes in economic use, social changes—the American version of the program has been able to revitalize those areas. That's worthwhile, and to everybody's benefit.

Should there be a means test? I've heard this from some in the NDP. They're concerned about helping wealthy landowners who own a house. Should it be means tested? My view is that you shouldn't try to mix different objectives. There are very good reasons why you want to help out people with modest means. This program should not be a vehicle for doing that. There's no public policy justification, if you're seeking to help someone with modest means, for you to say, "Gee, if you have an old house, we're going to help you out, but if you have a 1962 subdivision home, sorry, you're going to have to suffer." I just don't see that. You shouldn't mix those two objectives. If you want to help people who are facing economic challenges, develop programs that do that specifically. But if you want to preserve heritage, develop a program that specifically

focuses on preserving heritage. I think if you start trying to mix the objectives, you achieve none of them, and you twist the program out of recognition. That's when you really start getting unintended results that are not worthwhile.

Mr. Richard Cannings: Right. I'm not suggesting a means test. I'm just thinking that perhaps, if there was an annual cap, you would encourage the ongoing maintenance of these sites rather than letting them fall into disrepair. As you say, this is perhaps not a place for a means test, because the people with these buildings are not of modest means, but—

● (0915)

Hon. Peter Van Loan: Some are, though. In my community there are buildings of heritage value owned by families who've been there for eight generations and who don't have the means to fix them up. The buildings are falling apart. They might not be on the national register, but I'm sure there are some across the country that fall into that category.

Mr. Richard Cannings: Right. At any rate, could you comment on whether having a cap would encourage people to keep—

Hon. Peter Van Loan: This bill has a cap. It's a 20% cap.

Mr. Richard Cannings: I'm wondering about a dollar cap as well.

Hon. Peter Van Loan: If you have a dollar cap, all of a sudden anything that's a large-scale project isn't going to be eligible. All of a sudden your ability to do a Distillery District, for example, disappears. The Distillery District, I gather, did benefit from some of the grants under the pilot project that was done.

Twenty per cent is I think the effective cap that you're talking about. With 20% you're saying, "Yes, we're going to help you out, but you're carrying most of the costs. You're carrying 80% of the costs."

Mr. Richard Cannings: Thank you.

The Chair: Mr. Gerretsen.

Mr. Mark Gerretsen (Kingston and the Islands, Lib.): Thank you very much.

Mr. Van Loan, thanks for coming to talk to us today.

I want to ask you a question about why Canada is not good at preserving its historic sites in comparison with our neighbour, the United States. As you mentioned earlier, I was the mayor of Kingston. Kingston was Sir John A. Macdonald's hometown, at least while he was a member of Parliament. In Kingston we have his former law office, which he had before he was a member. There's a tiny, really weathered bronze plaque on the building that says it's the "site of", etc., and that's it. Sir John A. and Isabella's home on Brock Street is currently for sale. There's a RE/MAX sign in front of it.

Could you imagine that happening in the United States with George Washington?

Hon. Peter Van Loan: No, I could not. You're making a point there. In Kingston I'm particularly partial to the challenges of the Royal Tavern, which was of course Sir John A.'s campaign headquarters—

Some hon. members: Oh, oh!

Hon. Peter Van Loan: —and owned by a family. There's another whole story behind that one. Even in that case, I think there's virtually no recognition of what the building was and how it functioned, though it's still a tavern, as it was in those days.

I don't know what the answer is. The fact that they've had a tax credit program for some time is part of the answer, but it's not the whole answer. I think Canadians' modest approach to history—we don't like to lionize our heroes, we have a bit of tall poppy syndrome, and we refuse to believe our history is interesting. Canadian history is boring is the thing every school kid tells you, not like American history. It's actually much more interesting than American history. It's just that we don't talk about it in cartoon-style heroic terms. Cultural differences, undoubtedly, in the approach to patriotism—we're much more modest—have made a difference.

I sense there's a change coming and that there has been a change coming.

Mr. Mark Gerretsen: That's what I was getting at. Do you think this bill would help that change, or do you think we're almost a bit of a lost cause because we don't revere our former politicians or, for that matter, our former historical figures in that way?

Hon. Peter Van Loan: Well, the Gerretsen name will no doubt figure largely in Kingston's history for years to come—

Mr. Mark Gerretsen: Thank you. That's extremely flattering—

Hon. Peter Van Loan: —all because of John.

Some hon. members: Oh, oh!

Mr. Mark Gerretsen: All because of a more senior Gerretsen.

Hon. Peter Van Loan: If we look at the public responses here to the 150th anniversary of Confederation—not the institutional responses, but the public response—I think we see among Canadians a desire and hunger to reconnect with their history, to reconnect with their country. That's what they have been doing.

We even saw it in a lot of the commercial advertising as people tried to ride that kind of story. Whether it was in a Sobeys commercial or some others, you saw many messages that actually talked about this kind of history.

I think, then, there's a hunger and desire to do this in Canada. Our centennial was a little bit about this, but it was just as much about Canada's being a dynamic place of the future. This year with Canada 150, I think Canadians had a sense that we're beginning to learn a little more about our history, remember more about it, and say “I want to know more.” A bit of that awakening is happening. All of us have a role to play in advancing it.

Mr. Mark Gerretsen: Circling back to the question you were answering for Mr. Aldag, he had asked you why in the 10 years the Conservative government was in power nothing had really happened. Your response was that the Department of Finance was always more or less saying no, and then you encouraged the public will to exercise its authority.

Why didn't the public will exercise its authority over that 10 years?

● (0920)

Hon. Peter Van Loan: I think it did in many cases, just not on this file. My message to you is that had I been in a position to make this happen, I would have been delighted to. I wasn't in a position to do it. That's one of the reasons I've returned to it now. The point is that it's still alive. The infrastructure is still there. Everything has been built to allow it to happen. To make the difference takes only a fairly small push over the finish line with this bill, and I would hope that other stuff will follow afterwards, because there are other places in which the federal role in encouraging heritage has an abundant potential.

I view this bill as a good beginning. Right now we're limited to using the national register of historic sites. In the drafting I created an element in this bill to allow the minister the ability to extend that usage by regulation to any properties that are designated as heritage properties in a province or territory under their laws, so that, should there be a desire to grow the program, future governments would have the ability to grow the program that way.

Mr. Mark Gerretsen: Why do you think a tax rebate or a tax incentive like this is better than a grant, a pool of money every year that you apply to in order to get money for your project?

Hon. Peter Van Loan: Perhaps there's room for both, but my view is that the tax credit is better, for the same reason—and I will use the example of the scientific research tax credit, SR and ED, again. It captures what's happening in a community, what's happening in the economy. It's not the government picking and choosing projects, and so you're less subject to accusations of political corruption and so on. You're capturing what economic forces are out there, saying that this is a fruitful physical location for doing it.

Having acted for developers, I can tell you that when you're working out your pro forma, the cost of time is huge. We're lucky that interest rates are quite low now, but as those interest rates go up, that changes things. How long is somebody going to wait to see if their grant application comes through? If they're paying interest.... In development all the costs are front-loaded. Time is money. Time is terribly urgent in the development process. For a tax credit, they don't have to wait. If you're waiting for a grant application to come through, you could be waiting for a year and a half or two years for the whole processing to happen. Less will happen and not in the right places.

Mr. Mark Gerretsen: I think I have about 30 seconds.

The Chair: No, you're done. The red card means you're done. Sorry about that.

Mr. Godin.

[Translation]

Mr. Joël Godin (Portneuf—Jacques-Cartier, CPC): Thank you, Madam Chair.

I do not know if Mr. Van Loan would like to use the earpiece for simultaneous interpretation. I gather his French is very good.

Hon. Peter Van Loan: This could be a bit technical.

Mr. Joël Godin: In that case, use it.

In the meantime, I have to remind my colleague, unfortunately, that we will not be indulging in petty politics on this. I could ask him what has been done in the past 20 years. We could actually go more than 10 years back and look at the past 20 years. That is not the objective of our meeting today though. I think we get along well in this committee and manage to avoid partisanship. We cannot change the past, but we can take action for the future.

You are here to help us, Mr. Van Loan, and the bill is interesting. For my part, I think the concept is good.

I would like to go back to the 20% that you suggest in Bill C-323. Earlier, you mentioned that construction projects that use built heritage are more, what should I say, not profitable, since that is probably not the right term to use, but rather more attractive in terms of commercial development than new construction is.

You know that developers always look at the cost of a project and the return on investment. My question is simple: is the 20% credit enough of a deal maker to entice developers or citizens to develop their project and move forward? In other words, is that 20% credit enough to generate interest?

[English]

Hon. Peter Van Loan: Every project is different. Every pro forma and calculation is different. I think it's impossible to say what the right amount is. I think the best answer is that the American example has worked well. I was told it was 25%, but it's actually 20%, which is identical to what we've proposed here. It has generated lots of results.

It seems to be where officials within Parks Canada were heading. In terms of the development of the policy here, I've carried that forward. There seems to be a broad consensus that it's as good a number as you could arrive at.

There will probably still be projects for which it won't be enough. If you have too many heritage elements and not enough potential revenues downstream, it won't do the job for you. Maybe there will be the odd project where it is not needed because the project is so naturally successful, even without a tax credit. You have to settle on a number, and it seems to be a number that works.

• (0925)

[Translation]

Mr. Joël Godin: Thank you.

The interesting part of the bill you are presenting this morning is that it costs the government nothing. It could even be profitable for the government to invest in this program and provide this tax credit.

You said it would cost \$55 million to implement the program, and that the government would collect \$14 million. I think those figures are very modest. You mentioned some higher amounts, but you allowed yourself a contingency. I think that is very wise. Being cautious is indeed part of the Conservative philosophy.

Could that 20% rate not be adjusted? You said the credit is 25% in the United States. The government will collect \$14 million. If you are going to implement this program, would it not be advisable to set the credit at 25% right away?

[English]

Hon. Peter Van Loan: In terms of the credit, I think the 20% is solid. It's defensible. Why not go to 25%? Because someone will make the argument that the United States hasn't needed it to get the kind of activity they have. I would accept that argument.

Does it underestimate the positive economic impact to the fiscal framework? I would say that by definition this does, because when you are creating a vibrant, urban, downtown area, there are all kinds of other things that won't be taken into account, such as the broader area impact of economic activity, making a place a tourist attractor, changing the nature of a community to take properties that had no value and giving them value again—which also returns property taxes municipally—and the economic activity that goes on in those buildings that would otherwise have been blighted or demolished over years to follow. Those are other pieces that are a little harder to measure, a little more esoteric, but they're undoubtedly real.

I think you're probably right that the real impact is more.

[Translation]

Mr. Joël Godin: In your bill, you set out categories for cost management to ensure that the credit is clearly defined. Do you think your bill is complete enough to provide for proper accountability?

[English]

Hon. Peter Van Loan: We are relying on the standards and guidelines that have been developed by Parks Canada. It was done by a lot of professionals over a considerable period of time. The idea is to separate out the normal stuff you would do as part of a regular development project, which wouldn't be eligible for the credit, but the stuff that is specifically heritage restoration oriented would be eligible for the credit.

I think that's the right approach, a sensible approach. I do think there is reasonable rigour. At the end of the day, you have to rely on professionals to assess that. That was done in the case of the grant program with in-house architects. We're shifting the burden so that it is outside architects who get retained and do that, but we'll have the professional expertise to do it. In all those cases, it will be experienced individuals with professional qualifications in exactly that area who do the assessments.

The Chair: Thanks. You are right on time.

[Translation]

Mr. Joël Godin: Thank you, Mr. Van Loan.

[English]

The Chair: Thank you very much.

Hon. Peter Van Loan: The card system is very helpful.

The Chair: Mr. Van Loan, thank you very much for bringing this bill forward. The committee was studying protected spaces, and obviously you were looking at parks and seeing heritage sites, so we started to sort of tap around the side of this issue from our previous study. Obviously this has given us an opportunity with your bill, and we're now studying heritage. It's good, really good, so I thank you for the bill.

We're going to move on to the departments, and question them on your bill.

Hon. Peter Van Loan: Great, thank you very much for your time and your interest.

The Chair: We'll suspend for just a few minutes until our next witnesses get in place.

• (0925) _____ (Pause) _____

• (0930)

The Chair: If I could get everybody back to the table, please, we don't have a lot of time, and I know we want to try to get in as many questions as we can.

We have two short blocks, so we're not going to have full rounds of questioning. Just as we didn't have a full round on the first round, we're not going to have a full round on the second round, so I want to try to get to it as fast as we can.

I would like to welcome our guests. From the Department of Finance, we have Blaine Langdon, chief of charities, personal income tax division, tax policy branch, and Pierre LeBlanc who is director of the personal income tax division, tax policy branch. We have from Parks Canada Agency, Joëlle Montminy, vice-president, indigenous affairs and cultural heritage directorate, and we have Genevieve Charrois, director of cultural heritage policies. Thank you very much, all of you.

Who would like to start?

Mr. LeBlanc.

Mr. Pierre LeBlanc (Director, Personal Income Tax Division, Tax Policy Branch, Department of Finance): Thank you very much, Madam Chair, and to all members of the committee, good morning.

[*Translation*]

We would like to take this opportunity to explain the lens through which my colleagues and I in the tax policy branch examine and evaluate tax credits such as this one.

As a starting point, it's important to consider whether the goal of any tax measure is consistent with the functions of the tax system. The primary function of the Canadian tax system is to raise revenues needed to finance programs and initiatives that benefit Canadians.

However, the tax system has other secondary functions. One of these involves incentives within the tax system to support economic and social objectives, such as increasing saving and investment and charitable giving. The member also mentioned the research and development program, which is a very good example. Disincentives, such as excise taxes on tobacco, can also be used to discourage activities with negative externalities.

A tax measure of the variety proposed in this bill seeks to further a social objective, in this case, encouraging the rehabilitation of historic properties, its stated goal. The preservation of Canada's built heritage could be considered a socially beneficial behaviour. You talked a lot about that. But it endeavours to achieve this at the expense of another desirable goal, raising revenue. We have to strike a balance between the two. In making such an assessment, we strive to determine if the tax expenditure in question can effectively and efficiently fulfill its stated purpose.

• (0935)

[*English*]

Is offering a tax incentive, like this one, the most cost-effective or efficient means for providing these benefits? The tax expenditure associated with the measure represents amounts or dollars that could otherwise be used towards supporting a similar objective through spending. The colleagues from Parks Canada can talk about what happens on the spending side. There are advantages and disadvantages. You touched on this a bit in the previous round of discussion for tax incentives versus spending. With tax incentives, it is a bit more bottom-up, so there's more flexibility. However, in terms of spending, it's easier to control program costs and to ensure other types of equity, like regional and sectoral equity, so there are trade-offs.

A key consideration when considering any tax measure of this type is the extent to which it's effective in changing behaviours, as opposed to simply subsidizing activity that would have taken place anyway in the absence of the measure. On the one hand, this credit could have some effectiveness in encouraging owners to rehabilitate rather than demolish heritage properties. You touched on the U.S. experience. Things here are a bit mixed. There are studies that suggest the federal rehabilitation tax credit, in particular, has been effective. An important point we want to make is that the estimates of economic effects in these studies assume that none of the rehabilitation work would have happened in the absence of the credit, so zero. Is that a fair assumption?

On the other hand, the credit could represent a windfall gain for existing owners of historic properties. Those required to maintain their properties, in accordance with provincial, territorial, or municipal legislation, or to those who would have undertaken it anyway.

[*Translation*]

You also talked about equity, another criterion integral to policy analysis. A specialized credit offers tax incentives to a limited group of taxpayers. In terms of the bill at hand, the benefits of the tax incentive would primarily accrue to corporations and a limited number of, likely higher-income, individuals who own heritage homes. While heritage properties undoubtedly involve extra expenses, it is not clear that it is appropriate for these expenses of one home owner or property owner to be subsidized through the tax system.

Providing tax recognition for rehabilitation expenses for heritage buildings that are used as personal residences, which is part of the bill, could be inconsistent with the treatment of non-taxable assets such as a principal residence. Currently, neither the expenses related to owner-occupied housing nor the benefits, such as capital gains on a principal residence, are recognized for tax purposes. This approach ensures symmetry in the tax treatment of principal residences. To the extent that tax assistance is provided for renovations to personal residences, this would in many cases result in an increase in the value of these residences, providing a tax-free gain on disposition of the property.

To a certain extent, the tax system already provides measures to support the preservation of Canadian heritage. The Income Tax Act provides incentives for individuals and corporations to make donations to registered charities that support heritage properties. These tax incentives for donations to registered charities in Canada are among the most generous in the world. Generally, the tax policy in these instances has been to encourage donors to make contributions to registered charities, that is, organizations that have the mandate and the capacity to preserve and maintain important properties for the benefit of the public.

● (0940)

[English]

Tax measures also impose compliance costs for taxpayers and administrative costs for the government. In this case, you're probably talking about both the Canada Revenue Agency and Parks Canada, and it's important to take these into account in analyzing the overall efficiency of the measure. You want to see how these would compare if you tried to achieve the measure in an alternative way, say, through a spending program.

You had the discussion comparing it to the U.S. At the federal level, it's a 20% tax credit for designated properties. One important difference between the two appears to be the amount of rigour around ensuring compliance. In the U.S., the National Park Service is involved in certifying rehabilitation projects to ensure the work meets standards for rehabilitation both before and after the completion of the work, and they can also complete on-site inspections. We don't necessarily see the same types of authorities or protections in this bill, and if they were added, that would have an effect on the administrative and compliance costs.

Finally, the department recognizes that developing an equitable and efficient tax system requires that tax legislation be drafted in a manner that protects individual tax measures from being accessed in ways counter to the original policy intent sought by legislators. In our tax policy development process, which includes legislative review and drafting, we do our best to provide comprehensive legislation that will be free from technical flaws that can undermine or run counter to the desired effects of the measure as voted by Parliament.

In this respect, we do have concerns about a few areas of the bill. By way of example, the bill's use of the phrase property "used in the course of rehabilitating a historic property" could be treated as quite broad in terms of what's eligible for accelerated depreciation, going beyond the building itself.

I'll wrap up there.

Thanks, Madam Chair and members of the committee. We'd be very happy to answer questions.

The Chair: We'll hold the questions off until we hear from everyone.

Joëlle, would you like to be next? Thank you.

[Translation]

Ms. Joëlle Montminy (Vice-President, Indigenous Affairs and Cultural Heritage Directorate, Parks Canada Agency): Yes, thank you very much.

Madam Chair, members of the committee, thank you for this opportunity to discuss Parks Canada's perspective on Bill C-323.

Bill C-323 would create a tax credit for the rehabilitation of historic properties. While its objective is worthwhile, there are shortcomings in its design that may impede its effectiveness with respect to heritage conservation.

Financial incentives can be a useful way to promote the conservation of heritage places. To be most effective, however, they must be carefully designed and properly integrated into a comprehensive and collaborative approach, supported by other Canadian jurisdictions.

[English]

In Canada, protection of heritage property not owned by the federal government falls within the purview of provinces and territories. As a result, a range of legislation and incentives exists across the country to protect our heritage places. These efforts are supported by hundreds of community groups who work directly in the conservation and preservation of heritage assets. It is a fact that heritage places are at risk and that their loss would be irreversible.

Through the Parks Canada Agency, Canada protects heritage places of national significance. The agency also works closely with numerous partners to conserve and present our heritage. As the federal lead for heritage conservation, Parks Canada also provides communities across the country with financial support for heritage conservation. I know that we provided information for your previous study in a broader context of heritage conservation.

This is not to say that Canada could not benefit from additional financial incentives; however, the bill makes specific references to accountability tools under Parks Canada's responsibility without full consideration of some of the implications of these references. For example, the bill relies on Parks Canada's various accountability tools for heritage conservation. While these tools appear suitable, there are challenges with each of them.

The bill sets out what historic properties would be eligible, including those commemorated under section 3 of the Historic Sites and Monuments Act, as well as properties listed on the Canadian Register of Historic Places. The Canadian register is the only pan-Canadian listing of historic places recognized at the municipal, provincial, territorial, and national levels. As such, it is widely used as a reference in the field of conservation. Unfortunately, the Canadian register is not yet a complete source of information for verifying eligibility as it is only 60% complete.

The bill also specifies that the standards and guidelines adopted and applied by Parks Canada must be followed in undertaking an eligible rehabilitation project. It requires an architect to certify that the work undertaken meets these standards. The “Standards and Guidelines for the Conservation of Historic Places in Canada”, while widely used, offers guidance only and does not set official requirements like a building code. This is why the certification process proposed in the bill raises concerns with the credentials and expertise of certifiers and their objectivity as well as with the timing of certification.

Parks Canada is of the view that the certification function needs to be defined in a comprehensive manner to ensure the consistency of the interpretation and application of the standards and guidelines. What is proposed in the bill is not equivalent to Parks Canada’s certification process, a comprehensive and internal practice that has proven successful in the past.

● (0945)

[Translation]

To conclude, financial incentives are widely recognized as a useful way to promote the conservation of heritage places; however, such incentives must be carefully designed in collaboration with other jurisdictions and partners to ensure their effectiveness. In addition, these incentives must include solid accountability tools.

Thank you.

I will be pleased to answer your questions.

[English]

The Chair: Thank you very much.

We’ll move right into questioning, and we’ll start with Mr. Bossio.

Mr. Mike Bossio (Hastings—Lennox and Addington, Lib.): Thank you, Madam Chair.

Thank you all so much for being here today. This is informative and another side that I have wanted to explore.

You’ve hit the nail on the head as for, you know, why tax credits? What are the other options that can be considered via grants, contributions, or statutory measures that could be taken, which would act as an option to the one being proposed in this bill?

I’d ask both of you to get into that.

Ms. Joëlle Montminy: We’ve appeared before to present a number of those potential measures.

As you know, we currently have a cost-sharing program which has proven to be effective. As we discussed here, this program was increased in budget 2016 to \$10 million a year and, even at that

level, it is oversubscribed. This program, at that level of funding, is coming to an end, so we will be returning to the \$1-million normal level of funding which again will fall short of meeting the demands.

In terms of the mechanism of a cost-sharing program of that sort, it’s been proven to be effective.

Mr. Mike Bossio: One of my big concerns has always been that a tax credit program will benefit larger urban centres and those who are well heeled, who have the money and financing to be able to do it.

Through the contributions and grants type of programs, is it better to allocate funds to areas that are not as wealthy, small rural communities? Right now, we see that the small rural properties have a huge impact on the overall community itself, the look of the community, and therefore the future potential of the community to be a draw with respect to tourism and in other ways.

Do you think there’s greater flexibility through that, from legislative measures to the tax credit, versus the contributory-type plan?

Monsieur LeBlanc.

Mr. Pierre LeBlanc: It’s a very good question.

The way we wanted to frame it is that there are advantages and disadvantages of each approach. My sense is—and we’re not experts on the spending side—that it could well be easier. One of the points we made is that if you’re trying to achieve rural equity, whether it’s regional or sectoral or urban, spending programs might lend themselves more easily to that. At the same time, there could be a loss of other forms of flexibility, so it’s about managing the trade-offs.

● (0950)

Mr. Mike Bossio: I had other questions, but I know that Mr. Gerretsen really wants to get in on this, so I’ll pass the rest of my time over to him.

Mr. Mark Gerretsen: Thank you. I actually wanted to ask Parks Canada a question.

You said that your role is to work with partners to preserve and protect historic spaces. I think this is extremely germane. If many of the properties that existed out there were in good repair and condition, then we might not have the need to look at alternatives like this one.

Tell us how you do that. How do you work with your partners to preserve and protect historic spaces?

Ms. Genevieve Charrois (Director, Cultural Heritage Policies, Parks Canada Agency): I think that this reference is specific to national historic sites per se, which are designated by the minister of

Mr. Mark Gerretsen: I’ll give you an example of one.

In Kingston there is the Outer Station, which is a former CN train station. That is the definition of demolition by neglect. It's not even owned by a third partner. It's owned by a crown corporation, which is extremely concerning. If you can't even work with crown corporations to get them to understand the necessity to rehabilitate these properties—and that one is designated a national historic site—why is it that you claim to be so good at doing it? You can't even get that done with a crown corporation.

Ms. Genevieve Charrois: It's hard to answer this one. We're not claiming that we're...or wanting to sound good at managing all these heritage places, but we are having some success with some of the work we're undertaking with national historic sites and heritage railway stations. For every one that may not be a success, we can have a success elsewhere.

But yes, it's true that you have a station in Kingston that is—

Mr. Mark Gerretsen: It's just one of many sites. I won't belabour the point. I think you answered my question.

If there is any time left, Mr. Bossio, do you want to ask something?

The Chair: I think we're down to 30 seconds.

Mr. Mike Bossio: I have one quick question.

Why is only 60% of the Canadian register list complete? I mean, it's been since 2003. Are there specific reasons why?

Ms. Genevieve Charrois: The reason is that most of the listings that are missing on the register right now are from the provinces and territories. Some stopped uploading information to the Canadian register, because in a way there was no need for them to do that.

Mr. Mike Bossio: There was no incentive.

Ms. Genevieve Charrois: There was no incentive. Some went to a provincial registry on their own, and now, to have the two systems speak together, there's difficulty from an IT perspective. We're not saying it's impossible, but it would require work for sure, and some goodwill.

The Chair: Thank you very much.

Mr. Fast.

Hon. Ed Fast (Abbotsford, CPC): Thank you, Chair.

What I'm hearing from our Parks Canada officials is that the register isn't complete, and therefore there is not full-throated support of this bill, which would actually improve the ability, provide new incentives, for people to invest in these historic buildings. Am I correct?

Ms. Joëlle Montminy: I think what we're saying is that the bill makes reference to accountability tools and refers to the Canadian register. We're saying that if the sites or buildings that would be eligible for the tax incentive are supposed to be those designated currently under the register, that tool is currently not in a state that would be practical to use.

• (0955)

Hon. Ed Fast: Isn't that tool within your purview? You are ones who are administering that tool, are you not?

Ms. Joëlle Montminy: The Canadian register is a provincial, territorial, and federal collaboration. It's not mandatory for the other partners to provide the information in the Canadian register.

Hon. Ed Fast: Are you saying that the problem may lie at the municipal and provincial levels?

Ms. Joëlle Montminy: Provincial and territorial; municipal is under provincial—

Hon. Ed Fast: Have you done everything at the federal level that can be done to facilitate full registration?

Ms. Joëlle Montminy: We continue to strongly encourage our partners to share the information, but short of making it mandatory, we cannot guarantee 100% success in having a fully complete register.

Hon. Ed Fast: Okay.

You talked about the concern about accountability measures, that they needed to be perhaps more robust. Did I understand that correctly?

Ms. Joëlle Montminy: Yes. We are saying that the tool would have to be complete in order to serve as the basis for eligibility.

Hon. Ed Fast: If those tools were complete, would Parks Canada be supportive of this proposed bill and program?

Ms. Joëlle Montminy: What we're saying as well is that tax incentives are potentially good financial measures, but our view is that it has to be looked at in a broader context with all other financial measures. No single financial measure will be sufficient to address issues with respect to the preservation and conservation of heritage.

Hon. Ed Fast: Agreed.

You've acknowledged that the \$10-million funding is going back to \$1 million, which will result in a significant oversubscription to the cost-sharing program. Is that correct?

Ms. Joëlle Montminy: That's a fact.

Hon. Ed Fast: So introducing a new tool is not a bad thing. Would you agree?

Ms. Joëlle Montminy: If it's looked at in the context of all other things available, and it relies on accountability tools that are ready to be implemented, it can be one measure amongst many that can be useful.

Hon. Ed Fast: Just so that the sponsor of the bill has full information, are there additional accountability tools that you feel are necessary for this bill to have the proper rigour to be effective?

Ms. Joëlle Montminy: Yes. I spoke to the standards and guidelines, and the reliance on the guidelines with respect to how the work has to be conducted. In the certification process there are also challenges.

Hon. Ed Fast: There are some challenges with the certification process. Could I ask that you provide us with some suggested wording? You don't have to do that today, but follow up with the committee and provide us with something in writing. If, in fact, it's something that needs to be looked at seriously, we will, and we will consider that wording, if you have it to propose.

I want to go back to Mr. LeBlanc. I didn't hear full-throated support from you, either, for this bill. You probably know there is a fair bit of support among members of Parliament for doing something to support heritage preservation. Our study has certainly revealed that there are still very significant needs and, I suppose, incentives required to get Canadians to invest themselves in rehabilitating these buildings.

You also veered off into one area. You just touched briefly in passing on the capital gains exemption for homes. You used the words "for now" in reference to the program. I want clarification so there is no confusion about what was intended.

Mr. Pierre LeBlanc: I attribute it to the translation, because it certainly wasn't intended.

Hon. Ed Fast: All right. When we are talking about the exemption on personal residences, as far as you know, there is no plan to change that.

Mr. Pierre LeBlanc: That's certainly the case, as far as I know.

Hon. Ed Fast: Thank you. That assurance is very helpful.

Those are my questions.

The Chair: You had about a minute left, but we can move on, and that gives us a chance for more rounds.

Mr. Cannings, go ahead.

Mr. Richard Cannings: Thank you.

Thank you for coming here today.

I'll start with Mr. LeBlanc, and Mr. Langdon, for that matter. I was going to ask you a question about boutique tax credits that might benefit wealthier individuals and families in Canada more than others, but I think you covered that in your testimony. I was going to talk about capital gains as well, but I think you answered that.

You mentioned some of the other methods that can support people in maintaining and upgrading these buildings. You mentioned donations. I just wonder how that would work. This bill is seeking to provide support for owners of buildings who would like to maintain them. How could they access the donations part of the tax regime to advance their cause? What charities would they turn to? I'd be interested to hear that.

• (1000)

Mr. Blaine Langdon (Chief, Charities, Personal Income Tax Division, Tax Policy Branch, Department of Finance): I don't think there is much in the bill before us for charities. I was listening in on the previous testimony, and I think it did get touched on.

Essentially, what we are suggesting with respect to the reference to registered charities is that.... There are a number of charities out there that exist for the purposes of preserving historic properties for the benefit of the public. They acquire the property—either they purchase it outright, or it is donated to the registered charity—and

then the charity becomes responsible for preserving that building. You see that in a number of different cities. You can go and visit. It really is for the benefit of the public. As an individual or as a corporation, you can support those activities through donations, either straight cash donations or donations of stock, which get special tax treatment.

I guess what we are trying to point out is that there is already, through the tax system, a mechanism for the support of historic properties, although obviously it doesn't apply to private owners of historic properties.

Mr. Richard Cannings: Yes, that's what I was trying to get at. I couldn't make that connection, so thank you.

I would like to ask Parks Canada a question about the list again. This may not have a direct link to the bill before us, but just to clear up some of the confusion around the provincial lists, the federal list, and the register that combines both. I assume there is a federal list, as well as various provincial lists, and they are combined on this register.

I'd like to get some clarity on what programs you have in Parks Canada that can benefit sites that are on either or both of these. Are there programs in Parks Canada that apply only to sites that are on your list, rather than the provincial lists?

Ms. Genevieve Charrois: The only program we have is the cost-sharing program for national historic sites, heritage railway stations, and heritage lighthouses right now. We ask that they be registered on the Canadian register, but there's no need for that because we have a directory of national designation as well. They are captured in that directory already.

We have no program that speaks to the other...well, to a certain degree, yes. Something could be in a province, but it would be a national historic site, or a heritage lighthouse, or a heritage railway station. It would not be on their list except for some multi-level designated places. This may happen as well. Because something is designated as a national historic site does not mean that it cannot be another type of heritage resource for another level of government.

Mr. Richard Cannings: Again, if you're on the provincial list but not on the Parks Canada list, you're not eligible for the cost-sharing program?

Ms. Genevieve Charrois: The answer is not that direct. Sorry.

I would like to have a clearer answer here. The Canadian register is made up of everything that is designated at the local, municipal, provincial, territorial, and national levels. But to be eligible to the program that Parks Canada is running, you need to be designated by the federal government.

Mr. Richard Cannings: That's what I thought. I just wanted to make it clear because there are sites in my riding that fit into the provincial category and can't access federal funds. I just wanted to make sure because this talks about the combined list, which I think is a good idea.

The Chair: You have 30 seconds.

Mr. Richard Cannings: I'm done.

Thanks.

The Chair: Okay.

Next up is Mr. Aldag.

Mr. John Aldag: Great, thank you.

I have seven questions and six minutes in which to ask them, so I'm going to ask the witnesses to be quite tight in their responses.

I have two for Parks Canada. The first might be a very simple one.

Does the register capture current conditions of the properties that are on the register at this time?

• (1005)

Ms. Genevieve Charrois: The register is not about the condition of buildings. It's really about why they're designated. What is captured is the heritage character of a place, why it was designated.

Mr. John Aldag: We wouldn't have a national inventory of designated places and condition reports?

Ms. Genevieve Charrois: No, not on the register.

Mr. John Aldag: You've had a chance to have a look at Bill C-323. In your comments you note that there are shortcomings in its design.

I have a very simple question. Can we fix the shortcomings in our clause-by-clause consideration through amendment or do we need to scrap it and start over?

Ms. Joëlle Montminy: Some shortcomings could be addressed, but there might be other things that are more significant to fix.

Mr. John Aldag: Okay.

I would like to move to Finance.

It seems that Finance is implicated in the discussions on why we haven't been able to move forward on heritage conservation in Canada over the last 15 or 20 years. I would like your thoughts on some things.

In your testimony you talk about the socially beneficial behaviours. You say "it endeavours to achieve this at the expense of another desirable goal—raising revenue". We've heard through our previous study that we've been doing and again today this idea of the tax credit actually returning more than is being forgone to the government. The numbers are anywhere from a dollar forgone in revenue through the tax credit to a \$1.25 indirect tax credit and also generating up to 5:1 in economic activity.

I'm curious as to how you do the math whereby you say that we're forgoing revenue? Help me understand Finance's perspective on this.

Mr. Pierre LeBlanc: Yes.

Our perspective is that those studies attribute all the economic activity to the credit. In other words, they assume that in the absence of the credit there would have been no rehabilitation of those historic properties. We don't consider that realistic. It would be tantamount to saying that there's no rehabilitation of historic properties in Canada today because we don't have a credit.

Mr. John Aldag: Okay.

I'll just move on.

Do you actually know, making that kind of a statement, it's really... I accept the premise that it may be overstating. Do you actually monitor how much investment is going into the heritage sector at this point, or is it just an assumption that's being made that it's an overstatement?

Mr. Pierre LeBlanc: It's certainly an assertion. But it's my understanding that there is rehabilitation of historic properties going on today in Canada in the absence of a credit. It seems to me that the proper baseline isn't zero.

Mr. John Aldag: Okay. That's a fair assertion although we've heard that more than 20% of our heritage is being destroyed, lost forever, and that we have continued deterioration of heritage properties. Maybe the number is somewhere between one and.... The assumption needs to be looked at.

I want to get to the second piece.

You talked about the national cost-sharing program and the funding that's there. As we've heard, the base funding is \$1 million, and this applies only to certain national historic sites that are out there, which is a very small percentage of heritage properties within the country.

We're at \$10 million for two years. Then we revert to \$1 million. Is \$1 million a year a fair amount of money for the federal government to be investing in support of heritage in Canada?

Mr. Pierre LeBlanc: No. I think what I can tell you is that it's a fair question and I can bring it back to colleagues at Finance who deal specifically with the funding of programs like this, because we're not on the program side; we're on the tax side. I will do that.

Mr. John Aldag: If Finance has any information, it would be useful because that is the program that we keep pointing to as being the one way that the government supports heritage outside of the ownership within the federal ownership. I maintain that we can do better than \$1 million per year and I would like to see us do significantly better than \$1 million per year.

You talked about the subsidy of private homeowners through taxes as an example and that this may benefit particularly the wealthy. I know in my time working within the heritage conservation field, Parks Canada used to offer—I don't know if they still do—a fantastic conservation workshop aimed specifically at windows in heritage buildings. I think that sometimes we make the assumption that a house may have leaky windows and you can simply go to Home Depot and spend some money and, without spending anything more than that, it equates to a subsidy.

The fact is that many of these heritage buildings are very intricate and ornate, even elements that are important to the character, so there are associated costs. In many cases the trades that are involved are very much the middle-class Canadians that our government is working so hard to support. The fact is we want to see these trades survive and thrive and maybe do proper heritage conservation. In the restoration of windows, there is a cost beyond going out, as I say, to a local supplier with a contemporary window form. Is there something wrong with that? What am I missing that—

• (1010)

Mr. Pierre LeBlanc: I think that's a very fair statement in considering the distributional effects. To the extent that there's a positive economic benefit one wants to consider, I think you make a very good point on how that's distributed, so amongst owners, but also workers and potentially consumers.

Also, you spoke of the positive spillover, almost the non-economic benefits and how those might be distributed among the population. Those are very important points to take into account. I agree that's an important point.

Mr. John Aldag: Thank you.

The Chair: I'm sorry, John, you're out of time.

Mr. John Aldag: Thank you. I had one more good one.

The Chair: You'll have to maybe pass along the mike and just have time to do one more.

Mr. Sopuck.

Mr. Robert Sopuck: I'm going to ask a very quick question and pass the majority of my time to Mr. Godin.

Mr. LeBlanc, suffice it to say that the tax policy branch will do their job in terms of bills like this is to consider their potential implications with the tax system, as your brief points out. Is that correct?

Mr. Pierre LeBlanc: Sure. We try to, as a system as a whole.

Mr. Robert Sopuck: Yes. So community economic development is not in your mandate, I mean a direct part of your mandate. Is that correct?

Mr. Pierre LeBlanc: When we analyze tax measures, we try to take a holistic view that takes all positive benefits and costs into account.

Mr. Robert Sopuck: That certainly did not come out in your testimony, and as members of Parliament from all political parties, that is our concern. The proponent of this particular bill made a very cogent and intelligent argument on behalf of the quantifiable benefits of bills like this, especially in the United States. I found that completely missing in your testimony.

I'll now pass it on to Mr. Godin.

[*Translation*]

Mr. Joël Godin: Thank you, dear colleague.

I listened to your comments this morning and I must say it is unfortunate that you are not open to finding solutions. We all know there is a problem with the preservation of historic monuments in Canada. Through Bill C-323, my colleague is seeking to make certain provisions for preservation.

We understand that a bill is never perfect and that it will evolve. Our witnesses, particularly from the Department of Finance, raise some big question marks and seem to be closed, which I find disappointing.

You are here as managers, while we are parliamentarians and MPs. Since we wear different hats, I can understand that you have some reservations.

Mr. LeBlanc, I have some questions for you.

You stated in your presentation that one of the benefits of direct funding programs as compared to tax incentives is that they can give the government greater flexibility. They are not mutually exclusive, however. Why are you closed and why do you say that the proposed tax credit is not acceptable and is not the solution? I think it is a possible solution. We know it is not perfect, but that does not mean it should be ruled out.

Mr. Pierre LeBlanc: Thank you for the question.

What I said is that, when we compare tax measures and direct spending measures, there are always pros and cons for each. When we consider a tax measure, we assess what the benefits are, particularly as regards flexibility. In this case, individuals and companies can decide. That is what I said.

I also said that there are some drawbacks. As to managing expenses, which is an important objective of our society, it is more difficult to determine how much we can spend if that is through a tax credit. If...

Mr. Joël Godin: I will stop you there. I am satisfied with your answer and would like to ask some more questions quickly.

In your presentation, you stated that the "Federal Rehabilitation Tax Credit has been effective". You also said: "[...] a number of the studies that we have reviewed appear to assume that none of the rehabilitation work would have taken place absent the tax credit, which we believe is overstated."

What is the basis for that statement?

•(1015)

Mr. Pierre LeBlanc: I do not have the exact figures, but I can tell you that there are heritage properties in Canada that are undergoing restoration. So there is some activity in this area. As other MPs have noted, there are some problems with demolitions. That said, the activity level is not nil.

Mr. Joël Godin: That is based on your personal experience.

Mr. Pierre LeBlanc: Yes. One MP also talked about Toronto's Distillery Historic District, which has been modernized.

Mr. Joël Godin: Between 0 and 100, however, there is...

Mr. Pierre LeBlanc: That is a very good question to which there is no good answer.

Mr. Joël Godin: We could go into greater detail in this regard, but we do not have enough time. Our speaking time is very limited, unfortunately.

In your presentation, you talked about fairness and said that a tax credit would benefit higher-income individuals. I would interpret that differently. Someone with a higher income probably does not need tax credits as much. The middle class could probably benefit more from that 20% credit. Yet, you said that this would have a more positive impact on higher-income individuals.

Mr. Pierre LeBlanc: That is not clear. I have to admit that we do not have a lot of data about that. As Mr. Aldag said, it is not simply property owners, but also workers and beneficiaries. Ultimately, we have to look at who the owners those buildings are who might incur those expenses.

Mr. Joël Godin: Thank you, Mr. LeBlanc.

Now, you...

[English]

The Chair: Sorry. Yes, I know.

We were going to cut it off at this point and go into committee business, but I understand there's still real interest in keeping this going, so we're going to have one more question from this side and one more from that side. Then we'll cut off and very quickly clear the room to go in camera for committee business that we must do today.

I'll turn it over to Mr. Fisher.

Mr. Darren Fisher (Dartmouth—Cole Harbour, Lib.): Thank you very much, Madam Chair, and thanks, folks, for being here. We appreciate this testimony.

I guess I'll ask Mr. LeBlanc a question. It's a question that was asked of Mr. Van Loan by, I believe, Mr. Gerretsen, regarding tax credits versus grants. Mr. Van Loan said there's room for both. I don't want to paraphrase or put words in his mouth, but I believe he said that the grant process is the issue that would make a tax incentive or a tax credit better than a grant. We know that \$10 million is ending this year and it's going back to the \$1 million. I agree with Mr. Aldag when he says that's notoriously low, but it's a huge gap between what Mr. Van Loan suggested the uptake would be, which is somewhere around \$55 million with tax credits.

Can you comment about our ability to come up with a grant process with a pool of money, maybe a ceiling of money in it, and

can we ensure that the process is such that this will benefit heritage in Canada, yet still not necessarily be a tax credit?

Mr. Pierre LeBlanc: That's a really good question. In some ways, there's a middle ground because, if you look at the U.S. credit and the amount of oversight that's involved, there is certification before the work is done, certification after the work is done, the possibility of inspection, and recapture of the credit. It's partly because the credit in the U.S. is for income-producing properties, but if you sell the property within five years after getting the credit, some of it is clawed back from you.

That level of oversight isn't common. Obviously, in a self-assessment tax system, there's the need for verification and sometimes audit, but at that level, it's almost more like what you would see in a grant program. It just happens to be run through the tax system. That allows a bit more flexibility in some ways, which should have some positive impacts. In terms of the specific grant program itself, I'll turn to my colleagues.

•(1020)

Mr. Darren Fisher: I'd be interested in your thoughts on whether we could have a grant system that would have that level of oversight and that we could do instead of a tax incentive.

Ms. Joëlle Montminy: I'm not sure what you mean by "that level of oversight". We currently have a grant program that has a fairly high level of oversight as it is. We do certification to help protect—

Mr. Darren Fisher: Do you have the clawbacks on it as well?

Ms. Joëlle Montminy: No, we don't have that.

Mr. Darren Fisher: There are no clawbacks.

We all support this cause. I'm just curious as to why there would need to be a huge difference between a pot of money from the government or a tax credit. I guess that's my question, if any of you want to answer. Why couldn't we do one or the other? Mr. Van Loan feels that it's the grant process that causes the issue, and it might get political. It might have the government or perhaps a board or a committee set up to pick winners and losers, whereas a tax credit would solve that issue.

Are any of you interested in commenting on how we might come forward with a grant process that is certainly more significant than the \$10 million going back to \$1 million, but maybe covers off some of the government's concerns, or those of Finance or Parks Canada, regarding a tax credit?

Ms. Joëlle Montminy: What Mr. Van Loan was probably referring to is just the normal administrative process of applying for a grant, and the review process, and the certification that comes with this, whereas a tax credit is automatic. If you meet the criteria, you apply and you will receive the benefits of the tax credit. With a grant program, again there's investment up front in terms of applying. When resources are limited, you may or may not be the recipient of a grant in the end. To some, it could be a disincentive to applying, and there's also a certain time frame around the administration of a grant.

Mr. Darren Fisher: Got it.

Mr. Blaine Langdon: I'll just chime in. We're not experts on grant programs, but in terms of our concerns on the tax side, certainly a grant program would respond to a number of concerns in terms of controlling costs. We are concerned about the costs. If you look to the experience down in the U.S., it's not at the federal level, but there are a number of state credits that actually build on top of the federal credit. In the majority of the states that have credits that complement the federal one, they have some form of cap. There has been some discussion. It's either on an aggregate basis per year or on a per-project basis. A grant program would help to control that.

Certainly we have the same concerns as Parks Canada in terms of the amount of rigour there should be around the granting of tax credits. If you set up the proper grant program, you could address a number of those concerns.

Mr. Darren Fisher: I offered Mr. Aldag—

The Chair: Be quick.

Mr. John Aldag: This is for Finance.

You noted that tax policy encourages owners to make contributions to registered charities. Does Finance actually track the level of those contributions to the heritage sector?

Mr. Blaine Langdon: We don't currently. It's not broken down that way. Registered charities have to file an annual information return. To the extent that they're reporting in their activities section that they're maintaining heritage property, we could possibly do a bit of work. I don't know what would come out of that, and whether or not we would get good numbers, but we could look at that and get back to the committee.

Mr. John Aldag: Thank you.

The Chair: That would be great. T

hat's perfect timing.

We have one more questioning set, beginning with Mr. Fast.

Hon. Ed Fast: Thank you.

My first question is for Parks Canada officials.

The tax credit and the accelerated capital cost allowance are directly linked to being registered federally, correct? Under the bill,

you can only apply if you qualified by being registered on the federal register, right?

Would you agree with me that the bill, as presently drafted, would act as an incentive for owners of buildings that are not federally registered to register?

Ms. Genevieve Charrois: The answer is yes, there will be a desire by people wanting to access the tax credit to be on the register, and therefore there will be a need for us also to be capable of managing the number of people that could ask to be registered.

● (1025)

Hon. Ed Fast: That's a good thing.

Mr. LeBlanc, have you done an analysis of the tax hit that your department is going to suffer as a result of this bill being passed and implemented?

Mr. Pierre LeBlanc: We don't have a precise cost estimate, but here is how we think about it.

The \$900 million per year that's spent in the U.S. is, in one way, quite similar to what's in Canada, because it's just the 20% credit for designated properties, the \$900 million. The 10% non-designated isn't part of the \$900 million. If you pro-rate that, you end up at \$90 million. But the U.S. doesn't have residential properties. It's only income-producing properties. That factor in and of itself would push it above \$90 million. How much is a question to which we don't have a good answer.

On the other hand, to be fair, one of the things Blaine mentioned is that there are several states.... Is it 38 states, Blaine? There are several state-level credits, so probably the credit rate that people are facing in the United States is often higher than 20%, at least on the income-producing side. That might, at least on the business side, create a bit more activity than you would have.

Those are the factors we would take into account, but we don't have a number at the end of the day.

Hon. Ed Fast: Okay, you haven't quantified it?

Mr. Pierre LeBlanc: Correct, but that's how we would think about it.

Hon. Ed Fast: Great.

Then I assume you haven't quantified the economic benefits that would be generated as a result of the increased activity.

Mr. Pierre LeBlanc: We haven't, because in our mind there is this really important and unanswered question of what is the incremental effect. We would have hoped, given all the experience in the U.S., that there would have been a better answer for this, but we don't see it. We doubt very much the effect is zero. We don't think it's 100%, and we don't think it's zero. We think it's somewhere in the middle, and where it is remains a very good question which we don't have the savvy answer to, and that's what you would need.

Hon. Ed Fast: All right.

Are you saying the revenue losses that you would generate under a tax credit program would not be completely captured by the additional economic activity?

Mr. Blaine Langdon: I don't know if we've gone that far. Certainly, in the studies in the U.S., because the credit only applies at the federal level to income-producing properties, they only look at that. They also look at the downstream effects—the economic activity after the building has been placed in service, in terms of income from income tax, etc.

Here, we're looking at a potential increased cost in terms of the tax credit. This would then be applicable to personal residences as well. We did some work at the beginning with Parks Canada to try to sort out, in terms of existing properties on the register, how much was business and how much was personal. It wasn't easy for us to come up with hard numbers, all of which is to say—in terms of how much or how long it might take to recapture the tax credit expenditure—we just aren't there yet. We don't have that information yet.

Hon. Ed Fast: Really, all we're left with is the American experience, which seems to be quite positive but is not comparing apples to apples. We're comparing apples to oranges, because of layered tax incentives at the municipal, state, and federal levels. Is that correct?

Mr. Blaine Langdon: Absolutely. That's a fair statement. In addition to the state credits in most of the studies we looked at, they also mentioned the fact that other federal credits apply. There's a low-income housing credit and a new markets tax credit. It's a bit of a dog's breakfast.

Hon. Ed Fast: To be fair, the bill also proposes an accelerated capital cost allowance, which can be layered onto the tax credit program, except for the 20%. It's my understanding that if you look into the costs that qualify for the 20% tax credit, you can also, in some cases, layer on the accelerated capital cost, except for the portion relating to the 20%. Is that correct?

Mr. Blaine Langdon: We were a little uncertain about that when we were doing our initial evaluation. This morning, Mr. Van Loan said that's what the intent of the bill would be, that it would only apply to that additional amount, so I think you're correct.

Hon. Ed Fast: We're talking about two incentives here for owners of historic properties: to get registered if they're not already and then to rehabilitate their buildings.

Mr. Blaine Langdon: You're correct and I agree with the statement that it would encourage individuals and businesses to place their properties on the register. There's no doubt about that. That potentially increases the cost of the bill.

It was mentioned earlier that there are 13,000 properties currently on the register. My Parks Canada colleagues can correct me, but we think that's a low number, because it includes heritage districts that can encompass more than one property. Certainly, there are things we would have to look at in terms of trying to define the costs and benefits of the bill.

• (1030)

The Chair: I'm going to have to cut it off there.

It's been an excellent morning of digging a little deeper into this. We really appreciate all of you coming and sharing your thoughts and wisdom with us.

I'm going to have to clear the room quite quickly, because I did go beyond the time. I was supposed to have half an hour for committee business. I have less than 15 minutes, so I'm going to ask everybody's forgiveness as I ask them to rush out of the room.

[Proceedings continue in camera]

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