

ECONOMICS OF HERITAGE CONSERVATION: VICTORIA'S HISTORIC URBAN CORE



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The otherwise wide-ranging 40-year economic plan for the City's future, Victoria 3.0 (2020), was strangely silent on the opportunity for heritage to contribute to the local economy, although indeed heritage is a major signature asset for the region judging by the illustrations in the plan document itself.

While the contribution of Victoria's historic urban core, and its setting, to the general local economy is generally appreciated it has never been specifically quantified in economic terms. Attraction qualities for tourism underpin the hospitality industries. So-called "character" commercial spaces are popular with young entrepreneurs and business start-ups. The harbour and Gorge waterway constitute a major leisure amenity.

The Royal BC Museum alone has an annual operating budget of \$20 million and attracts 750,000 visitors. The McPherson Foundation operates two heritage theatre buildings in the urban core. Pre-COVID its ticket sales topped \$7 million and pumped \$2.5 million in salaries into the local economy.

A recent paper by David Macquarie for the World Bank provides a conceptual framework for examining the economic role of heritage conservation. (*World Bank, Urban Development Series Knowledge Papers. Investment in Urban Heritage Economic Impacts of Cultural Heritage Projects in FYR Macedonia and*

Georgia. 2016. David Throsby Macquarie University, Sydney)

He suggests we start by identifying categories of stakeholders, both those with a general interest and actual beneficiaries:

- Commercial interests such as shops, restaurants, hotels, guest houses, and tour and transport operators in the core area
- Commercial businesses in other parts of the urban area
- Residents, employees, and trades people within the heritage site
- Residents, employees, and trades people in the urban area generally
- Tourists, both domestic and foreign
- Public and non-profit cultural institution: museums, galleries, theaters, cooperative markets for cultural goods and services, churches, mosques, shrines, archaeological sites, public heritage buildings, cultural centers
- Public and semipublic authorities such as various levels of government.
- Heritage experts with a professional interest in the project



A stakeholder analysis provides the back-drop for identifying a set of economic indicators. Cultural heritage can generate new goods and services: traditional works of art or craft such as paintings, ceramics, jewelry, leatherwork, and fabrics. Cultural services are provided by museums, galleries, performing arts venues, cultural sites, cultural festivals.

Indicators covering these including:

- volume or value output of goods and services;
- gross or net revenues, or profitability of businesses involved; and
- visitation/revenues to museums, cultural sites, and events

Tourist-specific indicators including:

- overall number of tourists visiting the area;
- number of visitor nights in accommodation facilities
- tourist expenditures.

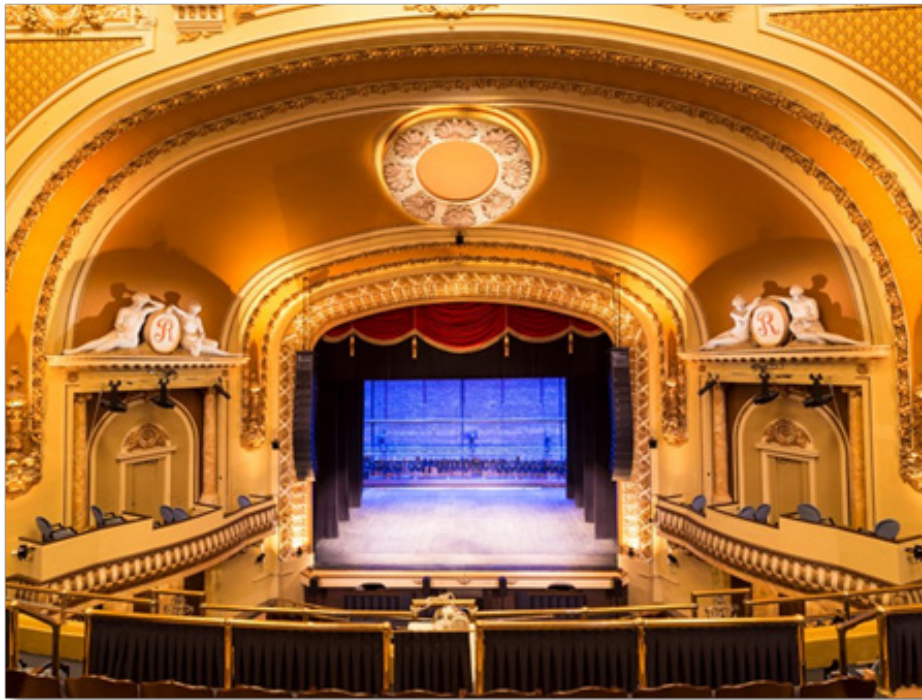
Employment, in particular job creation and skill transfers underpin another set of indicators:

- numbers of employees in different types of businesses;
- wage and salary levels;
- improved training and skill development;
- labor migration issues such as inflow of workers from other areas.

Heritage often supports urban regeneration, acting as a stimulus to investment.

- investment in heritage rehabilitation by public or private donors, lending institutions, aid agencies, and so on, induced directly or indirectly by the existence of the original project;

- investment in business expansion by private-sector enterprises in the target area or beyond;
- new business start-ups.
- public-sector revenues and expenditures affected by restoration projects including changes in local tax receipts; and
- in budget outlays by local government prompted by heritage related business developments and their aftermath.



Within this framework we can start to look at the economic value of Victoria's heritage resources as an economic asset to the community. What follows are three summary case-studies.

ECONOMIC SNAPSHOTS

- **Significance of the Cultural Sector (British Columbia and Victoria)**

Based on Statistics Canada's Product Perspective, the direct economic

impact of culture products was estimated at \$7.1 billion in British Columbia in 2017, which equates to \$1,450 per capita and 2.7% of provincial GDP.

The culture sector employment estimate was 98,100 in 2017, or 4.0% of all jobs in the province. The value added of culture products in B.C. is equal to the national average (2.7% in B.C. and all of Canada), while the employment impact is higher in B.C. (4.0%) than in any other province and well above the national average (3.5%).

Intra-provincial comparisons show that the GDP impact of culture industries in B.C. (\$7.9 billion) is larger than the value added of agriculture, forestry, fishing, and hunting (\$5.8 billion) and utilities (\$6.3 billion). It is similar to that of accommodation and food services (\$8.0 billion) and mining, quarrying, and oil and gas extraction (\$8.2 billion). The value added of culture is less than that of educational services (\$13.4 billion), transportation and warehousing (\$16.4 billion), and manufacturing (\$18.5 billion).

The estimated GDP of sports industries in 2017 is \$1.3 billion, or 0.5% of the province's GDP. The value add of culture is \$7.9 billion, or six times larger than the sports estimate.

There is no formal estimates of the value of arts, culture and heritage industries in Greater Victoria today, but based on the region's population with adjustments for the depth and breadth of cultural assets the estimated value to the regional economy is at least half a billion dollars, employing over 9,000 people. The Victoria tourism economy would be estimated to be worth 2.3 billion: 1.3 billion in visitor spending, supporting 22,000 jobs, 730 million in wages and salaries paying 376 million in taxes.

- **Direct Investment (building restoration industry)**

One set of infrastructure investments that can be quantified is the City of

Victoria's financial support for heritage building restoration in Old Town.

Over the past 30 years public and private investment in Victoria's historic Down Town has been significant. Public investment, with matching private



investments are tracked by the Victoria Civic Heritage Trust.

Since start of the Building Incentive Program in 1990, there has been \$6.96 million in City funds awarded to 157 buildings. This includes 335 funding awards through programs such B.I.P. including the Design Assistance Grants (DAG) and Parapet Incentive Program (PIP). Total project costs have tracked at \$164.95 million, providing a public/private investment ratio of \$1.00 : \$23.71. In other words, for every \$1 of public funds there were \$23.71 of private funds invested.

Under the City's Tax Incentive Program, since it started in 1998, there has been \$266.12 million in total project costs invested, with \$48.58 million of that cost spent on seismic upgrading (seismic upgrading costs representing 18.25%

of the total project costs) in 44 downtown heritage buildings. The Tax Incentive Program (TIP) has two streams: residential, and non-Residential.

The statistics, which cover not only funds invested but also other benefits such as the creation of residential units can be broken out as follows:

- TIP Residential
 - Total projects cost: \$220.52 mill
 - Seismic upgrading cost: \$30.1 mill (13.65% of total cost)
 - Number of heritage buildings revitalized: 38
 - Number of residential units created in heritage buildings: 699
 - Number of total residential units created in heritage buildings + in adjacent new additions: 818
 - Percentage of heritage buildings with Rental Residential Units: 50% (the other 50% is Strata/Condos)
- TIP Non-Residential (all Commercial Use)
 - Total project cost: \$45.6 mill
 - Seismic upgrading cost: \$18.48 mill (40.54% of total cost)
 - Number of heritage buildings revitalized: 6

Summary

- \$495 million invested
- Over 100 building restored
- 44 building seismically upgraded
- 800 residential units created
- **Cultural Investment (film industry)**

The motion picture industry in Victoria is based on location shooting.

Victoria has a very high attraction value and is also highly rated globally for its variety of settings. There is a reason one of the companies calls itself “Front Street Pictures”! Victoria can “stand in” for so many places in the world because of the variety of periods and styles exhibited by its buildings (including interiors, streetscapes, and settings). Locations often used for instance are: Odd Fellows Hall, Union Club of British Columbia, Craigdarroch Castle, Government House, Hatley Park, Edwardian or Victorian houses in Fairfield and James Bay, and Uplands “manor’ houses.

In a recent Douglas Magazine article (April 1, 2021) Vancouver Island Film and Media Commissioner, Kathleen Gilbert claimed that 2020 revenues from the Film Industry generated some \$50 million in revenue in the Capital Region, more than double the previous year. Production activity included 24 visiting productions and 14 home-grown ones. The industry employs up to 500 people on-set per month of shooting, supporting a total local workforce about 2,000 people.



Movie shoots fill up hotels, purchase supplies (everything from lumber to build sets and gasoline to fuel vehicles and food to fuel crews, rentals of costumes and props).

A movie shooting here for 15 days books 450 to 500 hotel room nights. A TV show in 2020, shooting in Victoria for 28 days, booked 720 hotel nights for cast and crew, as well as numerous Airbnb and vacation rentals.

In 2013, the blockbuster *Godzilla* booked 1,550 room nights at two hotels, for a shoot of just over five days, and took almost all of the rooms during the off season. A series like Netflix's *MAID*, shooting for 75 days, might book as many as 11,000 nights according to Victoria film commissioner Kathleen Gilbert

One local producer, Allen Lewis, making 6-8 movies per year in the Capital Region claims location expenditures for filming in private homes and local businesses, as well as shopping for items for wardrobe and set decoration — can add up to \$25 million worth of spending, including wages for crew. Vancouver-based Front Street films six to eight movies annually in the Capital Region. The budget for a typical made-for-streaming movie filmed here in Victoria would be developed as follows:

- Average shoot days per production: 15 plus one prep day and one wrap day = 17 production days on set.
- Actors/crews overnighting costs often in heritage/character/boutique hotels, B&B's or other hotels (total expense: \$85,000)
- Up to 12 location rentals (total expense: \$60,000)
- Permit fees and parking fees paid to the City (total \$5,000)
- Administrative and technical crew employed (total: \$1,000,000)
- Locally sourced catering (total expense: \$10,000)

TOTAL SPEND IN THE LOCAL ECONOMY \$1,160,000

- **Tourism Investment (Boutique Hotel)**



In 2021 Chard Developments proposed the revitalization of the Duck Block, a three- storey designated heritage building in Old Town. The proposed new use provided for a 135- room boutique hotel. The projected economic impact for the Victoria economy was broken out as follows:

- Construction: \$74.3 million cost; employment 344 FTEs generating \$10.2 million in taxes
- Annual operations: 8.9 million; 78 FTEs generating \$1.8 million in taxes
- Annual Visitor spending: \$9.8 million; 85 FTEs generating \$1.1 million in taxes.

Public benefits cited for the project therefore included:

- Revitalization of downtown, adding 134 hotel rooms to counter the local loss of 1,200 rooms since 2009.
- Adding \$8.9 million to the local economy annually including some \$2 million in taxes.
- Increasing visitor spending by \$5.1 million adding a further \$1.1 million in taxes.

- Creation of 344 full-time construction jobs over the course of the project and 163 ongoing positions
- Infrastructure improvements to the urban fabric including street and laneway improvements.

- **Attractions Investment (The Royal British Columbia Museum and Maritime Museum of British Columbia)**

A major landmark on Victoria's harbour landscape is the Royal British Columbia Museum founded in 1886. Now the Province's largest museum and international in reach, it employs nearly 100 people injecting into the local economy over 12 million in salaries, out of total budgetary expenditures of 22 million. The museum draws some 750,000 visitors a year; 13 million visit virtually via its expansive website. It attracts between 1 and 3 million yearly in donations to support its programs.

There are some 15 professional public museums in the Victoria region. Of these the Maritime Museum of British Columbia is typical, if slightly larger than most.

The Maritime Museum of B.C. was founded in 1955. Originally focused on the Province's rich naval history when it was located at Signal Hill, the Naval



Base in Esquimalt, its remit expanded to the maritime history of Province with its reestablishment in the centre of Old Town in the former historic Supreme Court Building on Bastion Square. Forced to vacate the Court House in 2015 it had to significantly downsize, moving to temporary facilities first on Humbolt Street then in 2021 to a new, but still temporary space in Victoria's Convention Centre on Douglas Street. Current ambitions include negotiations to obtain space in the historic CPR Steamship Terminal on Victoria's harbour front.

The Museum's rich collection constitutes some 35,000 artefacts includes 800 models of ships and items related to the maritime heritage of BC. There is a reference library of 6,000 volumes including a collection of 200 titles of historical significance, an archival collection of records of local ship-owning and shipbuilding firms, logbooks, naval records, ships' plans of 1800 vessels, maps and charts, an art collection, and approximately 36,000 photographs.

The very active programs of the museum ranging from exhibitions, public lectures, education programs, and organizing public events such as the annual Classic Boat Festival support a professional staff of 10, 50 local volunteers, supported by a half-million-dollar annual budget.

The projected Maritime Museum 2018/19 budget included:

- Income:
 - Earned revenues: \$200,000
 - Gifts/donations: \$165,000
 - Government grants: \$185,500
 - TOTAL \$550,000
- Expenses:
 - Salaries: \$296,000
 - Other: \$204,000

TOTAL SPEND IN THE LOCAL ECONOMY \$500,000

Observations

- Sustainability of the public investment in the restoration of heritage buildings, and its impact, may well be challenged as construction costs rise to accommodate upcoming building code changes to meet upgraded life safety (seismic), health and energy efficiency standards. Increases in the level of grants by the Victoria Heritage Foundation and the Victoria Civic Heritage Trust should be anticipated.
- At the current pace of development public and private investment in Victoria's historic urban core, we can look forward to the addition of about 40 residential units per year.
- A series of recent public announcements point to a resurgence of hotel construction. Two pending proposals involve the rejuvenation and restoration of historic buildings in the Victoria's historic urban core.
- The Vancouver Island South Film Commission is working with Camosun College to develop a film production studio to share for educational and training purposes, and commercial productions. If successful this would significantly expand the City's attraction value for film production to include and sound and stage set capabilities.
- In order to measure the impact of moving Victoria up the quality scale of heritage destinations, both for local residents and visitors, a more fine-grained analysis of cultural heritage participation should be undertaken. International experience suggests UNESCO World Heritage status does not markedly increase tourist visitation, although there is some indication it moves the market in favour of improved quality of the visit and visitor (i.e. high education and income, staying longer).
- Old Town is walkable. If it was to improve the public profile of its storied past by upgrading its street interpretation, the narratives in its public museums

and visitor attractions, and co-ordinate this with regional heritage sites from Craigdarroch Castle to Hatley Park, Beacon Hill Park to Fort Rodd Hill, the planned Songhees Marine Tours or sites and cultural landscape of the Gorge Waterway, the profile and marketability of the region's heritage could be greatly enhanced.



- Positioning Victoria as a UNESCO World Heritage Site on the Indo-Pacific Rim points to the importance expanding and developing the Maritime Museum of British Columbia. Considerations should include repositioning it as THE local Civic Museum with a core mission of interpreting Victoria's history as an historic port, naval depot, and trading entrepot.

References

Douglas Magazine (April 2021) <https://www.douglasmagazine.com/shooting-for-the-stars-the-unstoppable-growth-of-island-films/>

Estimates of the Direct Economic Impact of Culture in the Western Provinces in 2017, Hill Strategies (source)

CRD Arts & Culture Progress Report 2019 <https://www.crd.bc.ca/docs/default-source/crd-document-library/plans-reports/arts-culture/2019-arts-culture-progress-report.pdf>

Destination Greater Victoria <https://www.tourismvictoria.com/research-and-insights>

For a summary of local heritage economic generators see: The Victoria Heritage Observatory <https://victoriaworldheritage.org/181-2/>