GORDIAN®

2026 Canadian State of Facilities: **Public Facilities**





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Imagine a future where Canada's public facilities not only meet the demands of today, but they also inspire the innovations of the future. These spaces — libraries, community centers, recreation complexes and more — are the backbone of civic life and the catalysts for social progress. As demographic shifts, technological advancements and sustainability imperatives reshape our communities, the role of public facilities is evolving.

Public officials leading facility functions need to pause from their typically hectic routines and realize that **it's not business as usual right now**. Current circumstances present many challenges but also provide a point upon which to pivot long-standing practices which are in need of change.

We stand at a crossroads: Adapt and thrive or risk falling further behind. Because the state of public facilities in Canada is central to fulfilling the aspirations of the nation and communities alike, this is a subject that matters now more than ever.

This report is intended as a call-to-action for public sector leaders, encompassing both elected and appointed officials who have influence on public property. We urge public officials and the ecosystem of partners[1] to take the information shared and seize this moment to lead the transformation of our public facilities in an integrated and systemic effort.

The ideas explored in this report are important because the performance of public real property is critical to the health, security and economic well-being of communities and the nation. As places to learn, heal, protect and support communities, public real property is an enabler to deliver all the expectations of residents and citizens.

As Canada reflects on a changed world order and re-defines itself, it is appropriate to examine the role of facilities as a key enabler of public priorities. The federal government has both aspirations for growth and to find savings in government operations.

A specific and shared sense of what the public wants from public facilities is evolving in real time.

This report is also intended to reflect the collective insights of public facilities at a point in time. Research was based on publicly available data and complemented with observations from senior practitioners in the field.

When we speak of public facilities, we include primarily the vertical built environment funded by the public used to deliver public services. Public facilities are part of multiple systems, including other real estate sectors such as residential and commercial, and the public programs that are supported by associated facilities.

What follows includes bold perspectives to add to the discussion that may be controversial to some. As we begin, it is valuable to adopt a mindset found in some indigenous cultures, and that is to **see ourselves as but a small part of a greater system rather than in silos or sectors**. This perspective allows us to approach the long-term business of public facilities systemically and with a seven-generation time horizon rather than four or five-year election cycles.

We embrace the optimistic aspiration that Canadian public facility leaders will use the current circumstances as a catalyst to for positive and sustainable solutions. If done well, we can transform Canada's public facilities into pillars of progress for generations to come.

Current State: Where Do We Stand?



Understanding the current state of Canadian public facilities is essential for addressing the challenges and opportunities they present. Everything we do at Gordian is rooted in data. However, in the course of writing this report, we encountered what is a common experience in that the dataset:

- Often contains unreliable self-reporting
- The Canadian Infrastructure Council released Canada's first National Infrastructure Assessment, but it focuses on buried utilities and transportation systems.
- Is organized in a way that includes or excludes desired asset classes; or
- Originates from organizations that lack a holistic data strategy. A recent report[2] laments the limited focus on data in that **63%** of owners chose lack of holistic data strategy as a key challenge

Data on public facilities is often porous and disconnected. In cases of reports with coherent data, there is often a heavy layer of dust on the reports from inaction.

For instance, The 2021 Fixed Asset Review of the federal real property portfolio in Canada highlights several key performance measures for assessing the condition of government buildings: functionality, utilization, physical performance and financial performance. A significant amount of deferred maintenance has accumulated, particularly in older buildings.

The analysis predicts that over the next decade, **more than half of the Government of Canada's building floor area will decline to poor or critical condition**, significantly impacting the ability to support government programs and increasing maintenance costs.

Specific findings include:

- The average age of Crown-owned buildings is **49** years.
- Buildings under **25** years old generally have low to medium risks of structural or system failures.
- Buildings aged **25** to **49** years pose higher risks as major components near the end of their useful life.
- Buildings over **50** years old carry the highest risk for health and safety issues due to potential system failures and interruptions in service delivery.

The challenges in data availability and quality parallel how public facilities are provided by various levels of government. As we will see later on, there are various entities accountable for public facilities, but service delivery between organizations doesn't always mesh nicely. Given the age and in many cases, concerning levels of maintenance backlogs from deferred investment, the condition is poor.

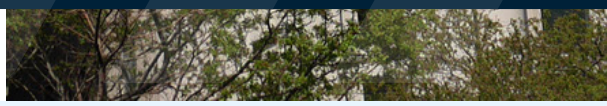
At least, we think it is because we don't have a comprehensive data set from all levels of government.

One stewardship challenge is that asset preservation is typically not a particularly interesting endeavour to many elected officials and the senior staff who support them. There is a natural appeal and interest for "impact" projects. A headline of "We're Keeping What We Already Built in Serviceable Condition" doesn't make it past the political communication bureaus. Asset preservation is expected, taken for granted and often neglected for the sake of other priorities.

There is significant variance in the outlook for various sectors of the public sector. Those in the industry have become accustomed to working in scarcity. For instance, presently post-secondary institutions are experiencing significant budget reductions as a consequence of federally-imposed caps on foreign students. Budget cuts will surely be shared if not shouldered by facility departments.[3] Funding circumstances aren't the same everywhere, however, and experienced facilities practitioners need to react when times change. While welcome, unprecedented investment announcements have the potential to overwhelm delivery capacity. For example, the Canada Community-Building Fund launched in November **2024** provides **$2.4 billion annually** for communities to make strategic investments in 19 different project categories.[4] The federal government's **2025** budget, titled "Building Canada strong," features significant investments in the built environment.[1] Commitments in Canada's NATO Defence Investment Pledge call for spending **5% of GDP**, of which **3.5%** is for core capabilities, and an additional **1.5%** for "investments in critical defence and security-related expenditure."[5] National Defence would be well served to clarify investment priorities and opportunities and explore accelerated program delivery models.



This is the current state, but now more than ever, the context is highly dynamic. To better understand what comes next, it's worth exploring the forces that will shape the evolution of Canadian public facilities in the near future.



Stewardship Drivers

As public facilities are typically built and operated for longer tenures than in the private sector, stewardship is critical in shaping the effectiveness and sustainability of this asset class. Fundamentally, facility stewardship means the care given to real property on behalf of the public.

The public facilities we are dealing with in this report all exist for the sole purpose of delivering services to residents. Population distribution geographically, and growth patterns, are a proxy for public service demand and the facilities that enable these services. Public sector organizations are empowered to manage these property assets on behalf of the public. The owner's aspirations for public facilities are what guides facility stewardship.

Affordability

The overwhelming response from facility staff at all levels to the question of "what is your biggest concern?" is funding. This response is amplified at a time when governments at all levels are seeking to reduce and right-size budgets. Given the sacrosanctity of some programs and powerful counter-pressure from public service unions, facility management programs will be at the top of lists to trim budgets through expenditure reduction and portfolio rationalization (which come at their own consequential investment).[6]

As any corporate budget manager will know, these costs can be substantial — often the second largest budget line after payroll. There is a tendency to view facility expenditures as merely costs, rather than an investment in further returns of value. For instance, reductions in maintenance and repair budgets increase the risk of system failure below established levels of service and accelerate the need for major repairs, recapitalization and even replacement. In times of austerity, such as the present, it is often tempting to shave a little off the operational budget for the short-term at the expense of total lifecycle costs.[7]

One approach toward financial sustainability is to reduce the footprint based on need, condition or functionality. While not typically considered part of an organization's inventory, leased assets such as office space in particular, are certainly part of the portfolio. While much of the commercial office segment is driven by the private sector, leased demand is influenced by public policy and strategy. The lease and fit up costs for leased space are significant and come from the same resource envelope as owned facilities. Given that the commercial office market is dynamic presently, leased space is part of the problem and solution.

Despite a concerted effort to drop space in the federal government with a 50% reduction target, the Office of the Auditor General identified in 20258 that due to stalled divestitures and public service growth, the total rentable area only changed from 6 million rentable square metres in 2019-20 to **5.9 million rentable square metres in 2023-24**.

Renewed action to reduce occupied space will allow for resources to be re-allocated to other priorities. Options are limited, however, as governments have responsibilities to communities and advocacy by groups like downtown business associations and chambers of commerce. Given the considerable occupancy footprint, public entities have to carefully balance the dual obligations to taxpayers of containing costs while also providing a community return on ratepayer investment.

Social and Environmental Sustainability

Winston Churchill once said, "We shape our buildings, and hence, buildings shape us." Public edifices represent the community they serve. In addition to being simply functional, they represent and serve the values of the community.



Public buildings and spaces are often the signature landmarks and can reflect the values and qualities in a community. Think of the municipal hall, university campus or the public library. Community centres might be where someone learns to swim or skate, or where a couple met once upon a time at a dance. Community members take pride in how the design, architecture and accessibility of these facilities capture their heritage. This attachment to certain facilities can at times also impact end-of-lifecycle disposal decisions. Local design elements represent the uniqueness of their school, locale or entity.

For instance, the Wood Innovation and Design Centre in Prince George, BC, is a place for forestry-related government functions, design professionals and academic researchers seeking innovative uses for wood. The eight-story building is constructed entirely of mass timber, including the elevator shaft, and is heated by a district heating system fueled by wood waste.

We cannot have a discussion on stewardship in Canada without mention of the calls to action in the Truth and Reconciliation Commission (TRC). The 94 calls to action have implications in facilities in every aspect of public services, including education, justice, health and economic opportunity.

Adding attention to the built environment of public spaces is an enduring and meaningful way of responding to the commitments called out in the TRC. One example of economic reconciliation in practice is the University of Victoria's National Centre for Indigenous Laws that had an architectural partnership led by indigenous-owned Two Row Architect. The space includes an Elders' room and spaces for gatherings and ceremony. Another example is the Thunder Bay Correctional Complex that incorporates an indigenous healing garden and local indigenous community engagement.

Climate change is on the minds of many Canadians. The expectation of many Canadians is that public entities show leadership in mitigating impacts on the environment from facility operation. Further, given the criticality of many public facilities, the need to mitigate financial risk through self-insured loss, greater emphasis has been placed on adaptation. Facilities need to be built or modified to higher levels of resilience, even if a short-term premium cost.

Northern residents have witnessed climate change firsthand. The Canadian high Arctic Research Station in Cambridge Bay, Nunavut, was designed and is operated in alignment with the purpose of station's mission through the use of traditional geometry, materials such as copper, and the use of sustainable, high-performance and low-energy laboratories.[9]

Prior to taking further action and producing a list of marquee investment projects, public facility leaders need clarity on what is driving facility decisions. Funding remains a leading stewardship driver, but it is not the only consideration that influences how facilities are created, maintained or disposed.

As per a recent Gordian white paper on public asset management, "Whether rich or poor, this does not change the need to plan well." The challenge may be in governance, or how public entities make decisions on where resources are allocated.

Governance: How Do We Make Decisions?

Governance in the public sector refers to the framework through which decisions are made, ensuring accountability and alignment with the public interest. In practice, it is rare that corporate real estate leaders in public sector entities have full authority and accountability to make all the decisions they need to deliver their mandate.

Due to the significant expenditures and public interest involved, rigorous controls and measures exist to clearly identify authorities and accountabilities. Some decisions will be held by a body of elected officials, such as a school board, a Treasury Board, a single elected official such as a Minister or delegated commensurate with the determined risk.

The reason the issue of governance is important is because of the systemic nature of public facilities. Facilities exist in the context of the program they are attached to, requiring coordination that typically does not happen. One recent example is the decision to reduce immigration and the number of temporary residents in Canada. This decision has crippled the enrollment and financial sustainability of post-secondary institutions at a time when a skilled and innovative workforce is needed most.

Inattention to Facilities Governance

The 2021 Fixed Asset Review stated: "Yet, these investments have been made in the absence of an integrated, whole-of government perspective, and on a case-by-case basis without a broader context."[10] This has been a common observation from significant bodies such as the Glassco Commission established in **1960** and the Nielsen Task Force of **1984** laments as much, and not much has changed.

Michael Wernick, former Clerk of Privy Council and current Chair in Public Sector Management at the University of Ottawa says: "One of the areas of 'government transformation' that never gets enough focused attention is the community that manages the government's owned and leased real property."

Multi-Level Responsibility

The challenge of coordinating efforts extends beyond just the federal domain is that it includes synchronizing efforts between levels of government. One former Assistant Deputy Minister said, "The feds have the money, the provinces and territories assign policy and regulatory constraints, and local agencies have to live with what trickles down." This may be a rough summation, but it does capture a dysfunctional relationship between government levels.

Cross-Jurisdictional Collaboration

There is only one taxpayer, and the expectation is for governments to meet service expectations as a coordinated and interconnected system. Working cross-jurisdictionally is what the public expects, but in practice, collaboration is often the exception rather than the rule. The recent creation of the Major Project Office with authority to "deliver one project, one review, align federal and provincial processes, and issue a single set of conditions," while also coordinating federal financing is a promising step. Collaboration requires catalysts such as the current circumstances to galvanize a cohesive effort, skillful state-craft by elected officials and public servants. As Danica Djurkovic, AVP of Campus Planning and Facilities at British Columbia Institute of Technology, and past president of the Architectural Institute of BC said, "Systemic solutions cannot rely on altruism." Public facilities leaders are called to collaborate in new governance frameworks for the betterment of public facilities and the people they serve.

The Construction Industry: A Partner Not to Be Taken for Granted



The construction industry is a cornerstone of public facility operations, crucial for building and maintaining infrastructure. Besides maintaining the vitality of an industry that typically generates **8%** of national GDP, government interest is typically confined to matters such as the regulation of safety, business practice and skills training. The reason is that aside from basic self-performed operations and repairs, most execution is delivered by contracted builders. A healthy construction industry is essential to effective public facility management.

Procurement Friction

The construction industry is at times taken for granted by public entities as a readily available partner, who will endure complex procurement processes to offer services with best results at the lowest price. Typical construction procurement processes often set up a contentious business environment unlike almost any other government purchase. The result is that all that pressure often sets up an adversarial dynamic and fosters bad behaviour.

Construction Supply Mobility

One might presume that the construction industry is in robust shape given the media attention to housing, **interest rate decreases of 250 basis points in a year** and declarations of nation-building projects from the federal government. The data on construction in the residential and commercial construction sector tells a different story.

On-Site magazine reports that publicly funded projects appear to be showing stability and growth, and the term "cautious optimism" is percolating within the sector. However, there's a sense that industry is struggling. Labour supply is dwindling due to an aging workforce, low unemployment and immigration disruption[11] and supply chain uncertainty has made for a challenging environment.

The implication of this is that there is capacity in the construction industry that can be reallocated to institutional owners. While there is a degree of sector specialization, contractors can adapt and shift to nearly every sector of real estate ownership. Firms and craftspeople will go where the revenue lies and where there is the least business friction. The public sector would be well served by seeking compliant and streamlined procurement approaches. Joanna Sofield, former Executive Director of the National Executive Forum on Public Property, highlights the necessity of a healthy construction industry. "We've seen many examples of successful partnerships between business and government, including the Toronto Waterfront.[12] Contractors value process transparency, collaborative approaches over transactional relationships, and lean processes. Overly cumbersome procurement practices and the high cost of delivery add effort and costs to the business (and eventually facility owners) and contributes to contentious relationship."

It is in the public sector's interest to ensure the construction industry is healthy and can flex to meet the needs of the public sector, and in turn, the public.

Future Trends: What Can We Expect in 2026 and Beyond?

As we look to the future of Canadian public facilities, we dare to make predictions. The silver lining of the resource scarcity is the opportunity to work differently. Nerys Parry from Tiree, a project management and advisory services firm, declares that **"This is the age of the Innovators."** Between the current state of facilities, and the crumbling of long-held paradigms, now is an opportune time for innovation.

Cross-Jurisdictional Collaboration

Global trade dynamics have been a catalyst for a collaborative response by all levels of government. Matters that once featured polarized positions on various files have now opened up for compromise and further discussion. Given the systemic nature of public policies, programs and facilities, continued collaboration outside of traditionally siloed work will be essential.

- **Indigenous Leadership:** With the continued success of real estate endeavours such as the Squamish Nation's housing and retail project Sen'ákw in Vancouver, and authorities gained through the First National Land Management Act, we can expect to see further capacity growth in indigenous communities and enterprises.
- **Integrated Facilities Planning and Service Delivery:** An optimistic view is that public organizations will adopt an approach of collaborative attention to sustaining value. The awareness to second-order impacts to facilities operations from policy and program changes may lead to shared ventures. Governments need to manage like a program like it was the public's asset, not their own.



Digital Transformation

Canada's public real property sector stands at the threshold of a technological and data revolution that promises to transform how facilities are designed, built, operated and maintained. This transformation offers unprecedented opportunities to improve efficiency, reduce costs and enhance service delivery while creating new challenges that require strategic leadership. Digital technology is essential to organize and leverage data to optimize investments based on evidence.

Kevin Radford of Deloitte Consulting observes that in comparison to financial enterprise systems, which extend to human resource enterprise systems, the real property function is underserved by digital technology. Through greater attention to developing and adopting digital services that make actionable data insights available, governance bodies will be in a position to shift from intuitive and emotive discussions to evidence-based decision-making.

While technology offers significant opportunities, successful implementation requires organizational readiness and capacity that many Canadian public sector organizations are still developing. Technology implementation is ultimately about organizational change. MIT/Sloan's George Westerman wrote that, **"Contrary to popular belief, digital transformation is more about people than technology."**

Procurement Evolution: New Models for Complex Challenges

The complexity of modern infrastructure projects and the need for innovation are driving evolution in procurement approaches that better integrate public and private sector capabilities. The construction industry in particular is best leveraged when public entities make themselves good business partners.

The current state of aged Canadian facility portfolios, clear stewardship priorities and challenged governance just may be the catalyst for change. Three pathways to addressing the current state of facilities in Canada includes creative collaboration, digital transformation and procurement modernization.

Conclusion

Canada's public organizations face unprecedented challenges that require effective facilities that enable service delivery to Canadians. The convergence of demographic pressures, aging infrastructure, funding constraints or windfalls, and technological transformation creates both risks and opportunities for public sector leaders.

As stewards of public property, facility owners and investors have to balance a myriad of requirements, including financial, social and sustainability. This coordination has historically not functioned effectively and will need creative collaboration to move through current challenges.

The construction industry is at times a key partner that can be taken for granted. Not only is the institutional market a notable contributor to this important segment of the Canadian economy, but the efficient use of this strained industry will be key to moving forward.

In terms of future trends, we see the continuation of ongoing efforts as well as new ones. As custodians of the public's treasury, public sector organizations would be acting irresponsibly to improve the current state with unfettered spending. This will require innovation in the area of inter-jurisdictional collaboration, digital transformation and procurement modernization.

The path forward requires bold leadership, innovative approaches and sustained commitment to building the infrastructure Canada needs for the next seven generations.

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Pete Zuraw, *Vice President – Market Strategy and Development*, Gordian

Sources

1 Partnerships such as advisory services, facility service providers, and the construction industry are essential participants in public facility service deliver.

2 {Canada's Urban Infrastructure Deficit: Toward democracy & equitable prosperity - School of Cities}

3 (From <https://www.cbc.ca/news/canada/toronto/ontario-college-layoffs-1.7581037>)

4 (From <https://housing-infrastructure.canada.ca/ccbf-fdcc/index-eng.html>)

5 (https://www.theglobeandmail.com/politics/article-how-should-canada-rearm-itself-fix-aging-bases-buy-submarines-air/ Canada joins new NATO Defence Investment Pledge | Prime Minister of Canada) For context, Canada's current spend rate in 2023 and 2024 was 1.3%.

6 CapEx versus OpEx – A vigorous debate is assured within financial circles in assigning definitions, and the tendency has been to apply terms glibly without further qualification. CapEx to add to extend capacity or extend the expected life of an asset. OpEx to allow full utilization of the asset to the expected life of the asset

7 From an investment perspective, here are a few tenets that prevail:

- Over the life of an asset, operational costs are often five times the cost of the original construction.
- A dollar spent in maintenance saves $5 in repair. The five dollars spent on repair saves $25 in replacement.
- Facility management practitioners tend to struggle to quantify the program risk and additional costs that derive from deferred maintenance.

8 Report 3—Current and Future Use of Federal Office Space

9 Design and Construction - Canada.ca

10 (Fixed Asset Review - BT22-271-2021-eng.pdf)

11 Wages to increase as immigration slows, Conference Board says - The Globe and Mail),

12 https://www.theglobeandmail.com/opinion/article-port-lands-infrastructure-don-river-toronto-photography-public-record/