

**9. CREATION OF A NEW HERITAGE TAX REBATE PROGRAM FOR
BUILDING RESTORATION AND 2020 USER FEE SCHEDULE FOR
HERITAGE APPLICATION FEES**

**CRÉATION D'UN NOUVEAU PROGRAMME DE RÉDUCTION FISCALE
POUR LA RESTAURATION DES ÉDIFICES À VALEUR PATRIMONIALE ET
BARÈME DES DROITS D'UTILISATION POUR LES DEMANDES DE
MODIFICATION D'UN BIEN PATRIMONIAL EN 2020**

COMMITTEE RECOMMENDATIONS

That Council:

- 1. Approve the adoption of a By-law to designate the entire geographic boundary of the City of Ottawa as the Heritage Community Improvement Plan;**
- 2. Approve and adopt by By-law the Heritage Community Improvement Plan as set out in Document 2;**
- 3. Direct staff to report back to Council in Q3 2022 with an evaluation and recommendations on improvements to the Heritage Community Improvement Plan;**
- 4. Approve the creation of one Heritage Planner (1 FTE) at an annual approximate cost of \$120,000, funded entirely from fee-generated revenues, effective January 1, 2020;**
- 5. Approve the fee schedule for heritage applications effective January 1, 2020 as outlined in Document 4;**
- 6. Extend the Reimbursement program for Development related Fees for Charitable or Non-profit organizations to the heritage application fees.**

RECOMMANDATIONS DU COMITÉ

Que le Conseil :

1. approuve l'adoption d'un règlement municipal pour désigner tout le territoire de la ville d'Ottawa comme faisant partie du plan d'améliorations communautaires des édifices à valeur patrimoniale;
2. approuve et adopte par règlement municipal ce plan, tel qu'énoncé dans le document 2;
3. demande au personnel de présenter au Conseil, au troisième trimestre de 2022, un rapport comportant une évaluation du plan et des recommandations possibles;
4. approuve la création d'un poste de planificateur de la conservation du patrimoine (1 ETP) dont la rémunération annuelle se chiffrera à environ 120 000 \$ et sera entièrement financée par les droits, dès le 1^{er} janvier 2020;
5. approuve le barème des droits pour les demandes de modification d'un bien patrimonial présentées dès le 1^{er} janvier 2020, tel qu'indiqué dans le document 4;
6. élargisse la portée du Programme de remboursement des redevances d'aménagement pour les organismes de bienfaisance ou sans but lucratif aux frais relatifs aux demandes de modification d'un bien patrimonial.

DOCUMENTATION/DOCUMENTATION

1. Manager's report, Right of Way, Heritage and Urban Design Services, Planning, Infrastructure and Economic Development dated 9 October 2019 (ACS2019-PIE-RHU-0020).

Rapport du Gestionnaire, Services des emprises, du patrimoine et du design urbain, Direction générale de la planification, de l'Infrastructure et du développement économique daté le 9 octobre 2019 (ACS2019-PIE-RHU-0020)

2. Extract of draft Minutes, Built Heritage Sub-Committee, 21 October 2019.

Extrait de l'ébauche du procès-verbal, Sous-comité du patrimoine bâti,
le 21 octobre 2019.

3. Extract of draft Minutes, Finance and Economic Development Committee,
5 November 2019.

Extrait de l'ébauche du procès-verbal, Comité des finances et du développement
économique, le 5 novembre 2019.

**Report to
Rapport au:**

**Built Heritage Sub-Committee / Sous-comité du patrimoine bâti
October 21, 2019 / 21 octobre 2019**

and / et

**Finance and Economic Development Committee / Comité des finances et du
développement économique
November 5, 2019 / 5 novembre 2019**

**and Council / et au Conseil
November 27, 2019 / 27 novembre 2019**

**Submitted on October 9, 2019
Soumis le 9 octobre 2019**

**Submitted by
Soumis par:
Court Curry,**

Manager / Gestionnaire,

**Right of Way, Heritage and Urban Design Services / Services des emprises, du
patrimoine et du design urbain**

**Planning, Infrastructure and Economic Development Department / Direction
générale de la planification, de l'Infrastructure et du développement économique**

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Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE
RHU-0020

File Number: ACS2019-PIE-

SUBJECT: Creation of a New Heritage Tax Rebate Program for Building Restoration and 2020 User Fee Schedule for Heritage Application Fees

OBJET: Création d'un nouveau programme de réduction fiscale pour la restauration des édifices à valeur patrimoniale et barème des droits d'utilisation pour les demandes de modification d'un bien patrimonial en 2020

REPORT RECOMMENDATIONS

That the Built Heritage Sub-Committee recommend that Finance and Economic Development Committee recommend that Council:

1. Approve the adoption of a By-law to designate the entire geographic boundary of the City of Ottawa as the Heritage Community Improvement Plan;
2. Approve and adopt by By-law the Heritage Community Improvement Plan as set out in Document 2;
3. Direct staff to report back to Council in Q3 2022 with an evaluation and recommendations on improvements to the Heritage Community Improvement Plan;
4. Approve the creation of one Heritage Planner (1 FTE) at an annual approximate cost of \$120,000, funded entirely from fee-generated revenues, effective January 1, 2020;
5. Approve the fee schedule for heritage applications effective January 1, 2020 as outlined in Document 4;
6. Extend the Reimbursement program for Development related Fees for Charitable or Non-profit organizations to the heritage application fees.

RECOMMANDATIONS DU RAPPORT

Que le Sous-comité du patrimoine bâti recommande au Comité des finances et du développement économique de recommander au Conseil :

1. **d'approuver l'adoption d'un règlement municipal pour désigner tout le territoire de la ville d'Ottawa comme faisant partie du plan d'améliorations communautaires des édifices à valeur patrimoniale;**
2. **d'approuver et d'adopter par règlement municipal ce plan, tel qu'énoncé dans le document 2;**
3. **de demander au personnel de présenter au Conseil, au troisième trimestre de 2022, un rapport comportant une évaluation du plan et des recommandations possibles;**
4. **d'approuver la création d'un poste de planificateur de la conservation du patrimoine (1 ETP) dont la rémunération annuelle se chiffrera à environ 120 000 \$ et sera entièrement financée par les droits, dès le 1^{er} janvier 2020;**
5. **d'approuver le barème des droits pour les demandes de modification d'un bien patrimonial présentées dès le 1^{er} janvier 2020, tel qu'indiqué dans le document 4;**
6. **d'élargir la portée du Programme de remboursement des redevances d'aménagement pour les organismes de bienfaisance ou sans but lucratif aux frais relatifs aux demandes de modification d'un bien patrimonial.**

BACKGROUND

Mayor's Heritage Matters Task Force

In July 2016 the City of Ottawa announced the creation of the Mayor's Heritage Matters Task Force – a cross-section of City staff and stakeholders assembled to work on a concerted effort to encourage the proper maintenance and protection of the city's heritage buildings.

The task force included staff from the Planning, Infrastructure and Economic Development Department, the Legal Services, Innovative Client Services Department, and the Emergency and Protective Services Department, as well as elected officials and members of the public. A complete list is found in Document 1.

One objective of the task force is to develop tools to assist in preventing instances of demolition by neglect, so that future generations will continue to enjoy our rich architectural heritage. Related to this, the task force will bring forward any new solutions or improved ways of dealing with the small percentage of heritage properties that are vacant and not well maintained.

The Heritage Matters Task Force held meetings to discuss its objectives and to report back on the work undertaken to date since its establishment. As a result of this initiative, Property Standards and Heritage Services began to work together to build upon the work of the “Vacant Building Strategy” established in 2013 through the monitoring of vacant or significantly neglected designated buildings. These efforts are ongoing with By-law and Regulatory Services.

Over the course of the summer of 2017, staff conducted research into the best practices of financial tools in Ontario municipalities to identify options for the City in its efforts to ensure that all designated heritage buildings are properly maintained, and that assistance is available to eligible property owners. The recommendations in this report are the result of this research and are now recommended for implementation. The recommendations were brought forth to the Mayor’s Task Force in Q1 and Q4 2019.

Policy Context

In addition to the direction from the Mayor’s Heritage Matters Task Force, there is policy in both the Provincial Policy Statement as well as the Official Plan that speaks to the protection of heritage resources and the creation of financial incentives for the owners of heritage buildings. Section 2.5.5.20 states that “the City will assess the feasibility of developing a program to provide property tax relief to owners of eligible heritage properties, using provisions in the *Municipal Act, 2001*. The City will undertake further study of financial incentives for the owners of heritage buildings, including but not limited to, waiving development charges, encroachment fees, etc. [Amendment #76, OMB File #PL100206, August 18, 2011]”. The City currently offers a Heritage Grant Program for Building Restoration to property owners of designated heritage buildings. For the 2019 program, the annual budget was increased from \$150,000 to \$300,000 in response to inflation, the increase in number of designated buildings, and to better assist owners of large properties. The heritage grant program now gives a matching grant of up to \$10,000 for small-scale buildings such as private residences, and up to \$25,000 for large-scale buildings such as churches, apartment buildings and commercial buildings.

The City offers a handful of incentive programs in the form of a Tax Increment Equivalent Grants (e.g. Bells Corners CIP, Orléans CIP, Montreal Road CIP, Ottawa Brownfields CIP) which enable the City to reimburse owners a percentage of the property tax increase directly associated with the improvements to the property for a fixed period following completion and occupancy on site.

The Community Improvement policies in Section 5.2.5 of the Official Plan (OP) establish a rationale for preparing a community improvement plan. This section of the OP sets out the criteria to be considered when designating a community improvement project area, establishes priority areas for community improvement, and sets out a range of actions that Council may undertake to implement community improvement plans.

This report provides a rationale for establishing and implementing a Heritage Community Improvement Plan to stimulate investment in heritage buildings, leading to the restoration and adaptive re-use of vacant buildings.

Heritage Tax Relief in Ontario

Across the province, over 30 municipalities offer some sort of tax relief program for heritage properties. These programs recognize that owners of heritage properties incur on average higher costs for repair and maintenance, so their aim is to incentivize property owners to preserve their buildings. Cities such as Toronto, Oshawa and Kingston offer refunds of up to 40 per cent of their annual property tax bill. The municipality refunds the City's share of the tax, and the province funds the educational portion. This is facilitated by the *Municipal Act*.

The City of Toronto's program is the largest and most complex. It requires the applicant to spend at least 20 per cent of their annual property tax amount on restoration costs. A Heritage Easement Agreement under Section 37 of the *Ontario Heritage Act* is required as part of the program, and the rebate is applied at 40 per cent with a cap on the amount refunded. Projects are eligible for a rebate of up to \$500,000 for properties designated under Part IV of the *Ontario Heritage Act*, and \$50,000 for properties designated under Part V of the *Act*. Smaller cities in and around the Greater Toronto Area offer programs with rebates up to 40 per cent on the entire tax bill for designated properties, regardless if any conservation work is being completed. Some municipalities offer varying rebate amounts depending on the class of building, such as the City of Peterborough which offers higher rebates for commercial buildings in the city's central area.

Staff reviewed the *Municipal Act* options and on the basis of financial affordability it is recommended to develop of a Community Improvement Plan (CIP).

As noted through the Task Force, Ottawa has a fair number (approximately 40) of vacant designated buildings. An incentives program would address this ongoing problem for some of these buildings and help to revitalize areas of the city where many of these buildings are located.

DISCUSSION

Recommendations 1 and 2 - Proposed Heritage CIP Grant Program:

This report recommends implementing the Heritage Community Improvement Plan as set out in Document 2. The program would commence on or after the date that this Plan comes into effect and would be offered for a trial period of three years,

Applications will be subject, on an individual basis, to Council approval. Up to \$500,000 in grants will be recommended for approval each year.

The proposed Heritage CIP program would provide a financial incentive in the form of a Tax Increment Equivalent Grant (TIEG) directly to property owners with qualified restoration/development projects. The TIEG grant will be equivalent to a portion of the increase in the municipal property taxes directly attributable to a restoration project.

Because TIEGs are “self-financing” or in other words, funding through the property tax increase associated with the improvement, TIEG incentives are in frequent use in Ontario. The program is based on the assumption that restoration and redevelopment would not occur ‘but for’ the incentive made to the property owner.

Heritage Community Improvement Plan Program:

The intent of the Heritage CIP is to encourage the restoration and redevelopment of buildings designated under the *Ontario Heritage Act*. The program would target institutional, commercial, mixed-use and mid to large-scale multi-unit residential buildings, to help offset the cost of the restoration of heritage attributes. This will be encouraged by offering a financial incentive in the form of an annual grant funded from incremental property tax assessments and the corresponding increased contribution to tax revenues made by owners of CIP project properties.

This program will complement the Heritage Grant Program for Building Restoration which is intended for smaller-scale buildings.

All submissions under the Heritage CIP must be for the restoration of properties located within the defined boundaries of the City of Ottawa.

Eligible projects include properties designated under Part IV of the *Ontario Heritage Act*, and contributing (Category 1, 2, 3 or Grade I) properties designated under Part V of the *Ontario Heritage Act*.

Candidate properties would be reviewed in detail, based on best knowledge of current trends and history to ensure that an incentive is, in fact required to stimulate restoration. The applicant is required to provide a rationale clearly demonstrating that the project would not otherwise proceed in the absence of the incentive.

The City would reimburse the successful applicants in the form of an annual grant equal to 75 per cent of the incremental tax resulting from the project. Grants would extend for up to 10 years after project completion to a maximum of five-hundred thousand dollars (\$500,000), but not exceeding 100 per cent of the total cost of the restoration component.

Staff from Heritage and Urban Design, Economic Development and Long Range Planning, and Financial Services would examine each application. This review would ensure that the projects receiving grants are eligible under the program and that they do not represent 'organic growth', but rather are occurring because of the financial incentives.

Grants would be paid only after site development is completed, the Municipal Property Assessment Corporation (MPAC) has reassessed the property, there are no property assessment appeals outstanding and the property taxes been paid in full.

Staff will prepare a report for each recommended application under the Heritage CIP and submit it for approval by Council.

Following approval by Council, each year until the end of the grant period, or until the maximum grant amount has been reached, staff would:

- Review the project to ensure that qualifying requirements continue to be met;
- Confirm that the owner has paid the property taxes in full; and
- Confirm that all other amounts to be paid to the City are in good standing.

Using tax increment amount as a guide provides a reasonably consistent mechanism of determining grant payment amounts that reflect actual improvements carried out on a property.

Applications will be processed and approved based on satisfying eligibility requirements and the following considerations:

- a. Urgency of the project (i.e. Restoration/rehabilitation requirement)

- b. Contribution to the public good (e.g. Contribution to the public realm, other Official Plan goals such as housing affordability and sustainability)
- c. Project is located within a Design Priority Area
- d. Tax uplift to the City

Furthermore, applicants cannot also receive concurrent funding through the Heritage Grant Program for Building Restoration.

Recommendation 3

Staff will conduct a review part-way through the pilot project and return to Council with feedback in Q3 2022. Staff will evaluate the success of the program and make recommendations on improvements to the Heritage CIP.

Recommendation 4

Since the corporate-wide re-organization in late 2016, staffing levels in Heritage Services have been at 4.5 full-time employees (FTEs) with three additional contract employees due to workload levels and the former Term of Council Strategic priorities. Since that time, staff have created two new heritage conservation districts, and added 3426 properties to the Heritage Register, both which require additional management. Additionally, one new heritage conservation district is expected to be approved by Q4 2020, increasing the number of designated buildings in Ottawa by 300 since 2016. The Centretown Heritage Study is currently underway with a completion date scheduled for Q1 2020. This study is evaluating more than 2000 properties in Centretown for potential designation in new heritage conservation districts.

In 2019, heritage staff began a pilot project with the community associations that have heritage conservation districts within their boundaries. Staff members have been assigned as liaisons between the City and the community for heritage related questions. This new initiative has involved additional staff time to manage and foster relationships with community representatives and be available for meetings and inquiries. Additionally, a new pre-consultation pilot for certain heritage conservation districts has been implemented where community representatives attend meetings with applicants and work with heritage staff to provide feedback on applications.

With changes coming to the *Ontario Heritage Act* through *Bill 108, More Homes, More Choice, 2019*, further staff time will be required to implement these changes on an on-

going basis. Staff expects more frequently attending appeals at the Local Planning Appeal Tribunal in order to defend future designations and heritage applications.

The new Heritage CIP included in the report will also require additional staff time to manage.

Staff are therefore requesting the addition of one new FTE starting in January 2020 to address the growth in workload. Staff have conducted research across Ontario to gauge Ottawa's staffing levels compared to other cities. In comparison, Ottawa has significantly less heritage staff than other municipalities when looking at population and number of designated heritage buildings. See Document 3 for complete table.

Recommendation 5

In order to off-set the cost of a new employee, staff recommend introducing a fee schedule for certain heritage applications. Staff recommend implementing fees for heritage applications such as demolition of contributing (Category 1, 2, 3 or Grade I) properties, new construction in a heritage conservation district (over 350 square metres), and heritage permits for large additions that require the approval from Built Heritage Sub-Committee and Council. A full breakdown of the fee schedule is included in Document 4.

Staff do not wish to discourage property owners from obtaining the appropriate heritage permits, therefore fees will only apply to larger projects that are complex and require a higher level of review and stakeholder engagement.

Recommendation 6

The City of Ottawa offers a Reimbursement program for charitable or non-profit organizations in order to reduce hardships on non-for-profit organizations. Staff recommend extending this program to the Heritage Application Fees.

RURAL IMPLICATIONS

This program will be available to rural properties designated under Part IV of the *Ontario Heritage Act*.

CONSULTATION

On July 24, 2019 and August 29, 2019 staff in Heritage and Urban Design conducted two meetings with heritage professionals to receive information and provide input on the

proposed Heritage CIP. The purpose of these meetings was to discuss financial incentives and mechanisms that would best fit the needs of property owners.

Session participants asked questions about the logistics and timing of the proposed CIP. The program as well received however some participants raised additional concerns:

- Coming up with the initial funding to initiate a project may be challenging in some scenarios.
- An on-going tax rebate would be very beneficial rather than a program that is tied to a restoration project.
- Upgrading internal systems to today's codes and standards should be included in this program.

While staff recognize that an on-going tax credit may be valuable to property owners, it is recommended to implement and evaluate a tax rebate program for its impact ahead of implementing a broader tax relief program under the *Municipal Act*. Staff believe that the proposed Tax Increment Equivalent Grant is the best way forward in order to provide financial assistance while also generating revenue for the City.

In addition to these consultation sessions, the program was also presented to the Mayor's Task Force on Heritage Matters.

COMMENTS BY THE WARD COUNCILLOR

This is a city-wide report – not applicable.

LEGAL IMPLICATIONS

There are no legal implications associated with implementing the recommendations contained within this report.

RISK MANAGEMENT IMPLICATIONS

There are no risk management implications association with the recommendations in this report.

ASSET MANAGEMENT IMPLICATIONS

There are no direct asset management implications associated with the recommendations of this report.

FINANCIAL IMPLICATIONS

Recommendations 1 and 3

There are no direct financial implications.

Recommendation 2

Heritage Community Improvement Plan (CIP) grants will be subject to Council approval. A maximum of \$500,000 will be awarded each year. Operating pressures associated with approved Heritage CIP grants will be brought forward through the budget process in the anticipated years of payout and funded through the incremental property taxes resulting from the restorations.

Recommendations 4 and 5

Right of Way, Heritage and Urban Design Services' 2020 budget will be increased by 1 FTE and \$120,000, fully offset by revenues generated by the proposed new fees outlined in Document 4.

Recommendation 6

Funds in the amount of \$50,000 per year are available for the Development-related Fees Reimbursement program for Charitable or non-profit Organizations.

ACCESSIBILITY IMPACTS

There are no accessibility implications associated with this report.

TERM OF COUNCIL PRIORITIES

This project addresses the following Term of Council Priorities:

- HC4 – Support Arts, Heritage and Culture
- Governance, Planning and Decision Making

SUPPORTING DOCUMENTATION

Document 1 List of members of the Mayor's Task Force

Document 2 Heritage Community Improvement Plan (*Held on file with the City Clerk*)

Document 3 Heritage Staffing Levels in Ontario

Document 4 Heritage Application Fee Schedule

DISPOSITION

Following approval of this report, staff will implement the CIP program effective January 1, 2020. All successful applicants will be brought forward on an individual basis for Council approval.

Staff will implement the revised heritage application fees effective January 1, 2020.

Document 1 – List of members of the Mayor’s Task Force

Mayor, City of Ottawa

Chair, City’s Planning Committee

Chair, City’s Built Heritage Sub-Committee

Chief of Staff, Mayor’s Office

Policy Director, Mayor’s Office

Manager, Right of Way, Heritage and Urban Design Services

Program Manager, Heritage and Urban Design Branch

Coordinator, Heritage Services

Planner, Heritage

Senior Legal Counsel Planning, Development and Real Estate

Chief, Building Code Services

Manager and Deputy Chief Building Official, Building Inspections and Enforcement

Director, By-law and Regulatory Service

Executive Director, The Council of Heritage Organizations in Ottawa

Director, Heritage Ottawa

Member, Heritage Ottawa

Document 3 – Heritage Staffing Levels in Ontario

Municipality	Population (according to the 2016 Census)	Number of Designated Buildings	Number of Heritage Conservation Districts	Number of Heritage staff
Toronto	2,731,571	7012	21 + 4 under appeal	25
Ottawa	934,243	3700	20	4.5
Brampton	593,638	259	1	4
Hamilton	536,917	629	7	4
London	383,822	4035	7	3
Markham	328,966	1319	4	3
Vaughan	306,233	912	4	3
Windsor	217,188	385	2	1
Richmond Hill	195,022	68	1	1
Oakville	193,832	585	4	3.5
Oshawa	159,458	20	1	0.75
St. Catharines	133,113	900	4	1
Cambridge	129,920	985	3	1
Kingston	123,798	1200	3	2

Document 4 – Heritage Application Fee Schedule

partment		2019 Rate \$	2020 Rate \$
18	n/a	n/a	10,200.00
te	n/a	n/a	5,100.00
	n/a	n/a	2,050.00

Heritage Applications	Notes
Demolition	Demolition of buildings designated under Part IV of the <i>Ontario Heritage Act</i> , or contributing buildings (Category 1, 2, 3 or Grade I) within a heritage conservation district. Exemptions for extraordinary circumstances including, but not limited to, fire or natural disaster.
New Construction	New construction in a heritage conservation district on buildings more than 350 sqm
Alteration	Heritage permits for alterations to designated buildings that are required to go to the Built Heritage Sub-Committee and Council for approval