

Meeting Date: November 9, 2020

Subject: Heritage Property Tax Rebate Program

Submitted By: Hillary Bryers, Deputy Treasurer / Manager, Revenue, Finance
Sally Drummond, Heritage Resource Officer, Policy, Heritage and Design Services

RECOMMENDATION

That a by-law under Section 365.2 of the *Municipal Act, 2001* to implement a Heritage Property Tax Rebate Program in the Town of Caledon be passed;

That an unavoidable budget increase in the amount of \$50,000 be included in the 2021 Budget as the Town's cost of the Heritage Property Tax Rebate Program;

That the 2021 User Fee By-law include a fee of \$200.00 plus HST for the recovery of the legal fees required to facilitate this program;

That delegated authority be granted to the Manager, Policy, Heritage and Design to approve and execute the Easement agreements;

That the Designated Heritage Property Grant by-law be updated to allow for property owners to apply for either the Property Grant or the Tax Rebate program; and

That notice be provided to the Region of Peel and Minister of Finance upon passing of the Heritage Property Tax Rebate Program By-law and that support for the program be requested from the Region of Peel.

REPORT HIGHLIGHTS

- Section 365.2 of the *Municipal Act, 2001* allows municipalities to create a relief program to provide support to property owners of properties designated under Part IV or Part V of the Ontario Heritage Act.
- A heritage tax rebate program is being proposed for owners of commercial and industrial assessed designated heritage properties in the Town of Caledon.
- The rebate amount will be 40% of the eligible Town and Education portions of the property tax bill. The Province will share in the cost of the program by supporting the rebate of the Education portion of the property tax bill.
- This rebate will be paid annually upon application to the Town from the property owner.
- The initial application will require a Heritage Easement Agreement to be entered into by the property owner and registered on the title to the eligible property. A fee will be payable by the owner to cover the cost of registering this agreement.
- There are currently 42 designated heritage properties in Caledon that may be eligible for support through this program. The estimated cost to the Town of this program is \$50,000, which could generate rebates of \$150,000 including Provincial support for the Education portion of the property tax bill.

- Property owners will have the choice of applying for either the Designated Heritage Property Grant program (currently offered) or the new Heritage Tax Rebate Program.

DISCUSSION

Background

Further to Staff Report DP-2015-104 “Village of Bolton Heritage Conservation District”, the Village of Bolton Heritage Conservation District, established by By-law 2016-006 (as amended by Ontario Municipal Board order, March 5, 2018), Council directed staff to report back regarding the viability of establishing a Heritage Tax Refund program to support owners of designated heritage properties with tax relief. Many of the contributing properties located within the Bolton Heritage Conservation District are used for commercial purposes and would be eligible to apply for the tax rebate program proposed in this report.

Previous Heritage Rebate Program

In 2006, the Town piloted a heritage property tax refund program for designated heritage properties in the commercial and industrial tax classes. This pilot program allowed for up to ten properties to receive refunds for a two-year period of 40% of the Town and Education portion of the property tax bill. The program was ultimately not renewed by the Town as there was only one successful applicant to the program from two applications received. Subsequent to this, additional properties within the commercial and industrial tax classes in Caledon have received heritage designations, including those within the Bolton Heritage Conservation District, which has increased the pool of eligible applicants and the need for supporting the preservation of these properties in Caledon.

Heritage Property Tax Relief Program

Heritage property tax relief programs are financial tools for municipalities to help owners of designated heritage properties maintain and restore their properties for the benefit of the entire community. Such programs are legislated under Section 365.2 of the *Municipal Act, 2001*, which, along with the Province’s Handbook for heritage tax relief programs, provide the requirements for a municipality to make available a Heritage Tax Rebate Program.

The program is administered by the lower tier municipality, which has the option of providing tax relief of between 10 and 40 per cent to owners of eligible heritage properties. Municipalities must pass a by-law to adopt the program.

Goal of the Program

The goal of the program is to provide for a long-term tax incentive to promote heritage conservation and stewardship. This program will be subject to annual budget approval by Council. Well-maintained heritage properties enrich our communities by giving them unique character and a sense of place. A tax rebate program can assist eligible property owners with making regular investments in the ongoing conservation of their heritage properties and encourages owners to be stewards of their heritage properties, so that our built heritage is protected for future generations. Such a financial incentive program can help revitalize historic village centres and attract residents, businesses and visitors to the community. This program may have greater demand in current times due to the ongoing COVID-19 pandemic and its impact on local small businesses.

Under the program, a portion of the tax rebate is funded by the Province for the education portion of the property taxes. The Province shares in the cost once the Town passes its by-law. Participation from the Region of Peel through granting a rebate of its portion of the property tax bill is optional and would require the Region to pass its own by-law to participate in the program. At this time, it is anticipated that the tax rebate program offered by the Town will be for the Town and Education portions of the property tax bill only and a request will be made to the Region of Peel for their support of the program.

How will the Program work in Caledon

The Town of Caledon is proposing to introduce a 40% tax rebate program for eligible commercial and industrial designated heritage properties. This rebate will be for the Town and Education portion of the tax bills and will be payable annually upon application by eligible property owners. There are currently 42 potentially eligible properties in Caledon that are either assessed as commercial or industrial and are designated heritage properties. Thirty of these properties are in the Bolton Heritage Conservation District, while the other 12 individually designated heritage properties are located throughout Caledon. The estimated cost to the Town of this program is \$50,000, which could generate rebates of \$150,000 including Provincial support for the Education portion of the property tax bill. Currently, there are 297 designated heritage properties in Caledon. At this time, the cost of administering a heritage tax rebate program for designated heritage properties in all tax classes is prohibitive; analysis of the tax rebate indicates the program would best benefit properties in the commercial and industrial tax classes properties only. The Town's Designated Heritage Property Grant program, established by by-law in 2006, continues to provide financial assistance to designated heritage properties in the residential tax class. Property owners in the commercial and industrial tax classes will have the option of participating in either program. They will be given the choice of which program best supports their needs but will only be eligible for either the grant or the rebate; they cannot receive funds in the same year under both programs offered by the Town.

Eligibility

To be eligible for a Heritage Tax Rebate program under Section 365.2 of the *Municipal Act, 2001* and the related Provincial requirements, a property must contain a building, structure or portion of a building or structure that is:

- Designated under Part IV of the *Ontario Heritage Act* or part of a heritage conservation district designated under Part V of the Act; and
- Subject to a heritage easement agreement for the property.

A heritage easement agreement is a voluntary legal agreement between the Town and an owner to protect the heritage features of a property and to encourage good stewardship of the property. As a voluntary agreement, it recognizes the intention of both the property owner and the Town to protect the heritage character of the property. To be eligible for a rebate through the Town of a portion of the Town and Education property taxes, a property owner will need to enter into such an agreement with the Town and have this agreement registered on title to the property. The fee for the Town to register this agreement on the title of the property is \$200.00 and will be deducted from the first rebate paid for a property. If the property owner and the Town agree to remove a registered easement from the title of a property, the owner shall pay a fee in accordance with the use fee by-law to cover the costs of removing this easement from title.

Heritage Easement Agreements, under the *Ontario Heritage Act*, are binding on future owners of the heritage property. These agreements ensure protection of the heritage property, as every new owner must conserve the property to the same extent.

A heritage easement agreement is required because, under the Ontario Heritage Act, municipal designation alone does not oblige owners to hold insurance and maintain their properties on an ongoing basis. As the purpose of the tax rebate program is to offer an incentive for heritage property conservation, the rebate will only be made available to those owners who are willing to make a long-term commitment to conserving their heritage properties.

Each easement agreement will specify the heritage attributes of the property that are to be maintained and include photographs of them. The agreement will require that property owners maintain the property in good condition and have adequate property insurance on their property. In addition, the agreement will give the Town the ability to inspect each property periodically to ensure compliance with the agreement and will lay out requirements should the owner be found in default.

To be eligible, property owners must not have any outstanding municipal fines, work orders or contraventions, or any other outstanding municipal obligations. If the account has outstanding property taxes, the rebate will be paid against the outstanding property tax amount first with any excess amount eligible for refund by cheque.

Applications to the program must be made annually and must be accompanied by updated photos of the heritage attributes. However, the easement agreement is a one-time process for the first year of enrollment in the program.

The Town's heritage tax rebate program will only apply to commercial and industrial properties, as assessed by the Municipal Property Assessment Corporation (MPAC). MPAC will determine the portion of a property's assessment that is attributable to the heritage portion of the property. Where a property is in mixed property tax classes, for example has both a residential and commercial assessment, the rebate will only be paid for the commercial part of the property's assessment. Where there is a commercially assessed portion of the property that is non-heritage, only the assessment for the heritage portion of the property will be used in calculating the rebate. If the assessment of a property subsequently changes due to an Assessment or Tax Appeal, the heritage tax rebate shall be recalculated and adjusted according to the new assessment of the property.

If the program is successful, the Town can review expanding it to other property tax classes in the future.

Proposed Rebate

The rebate being proposed is 40% of the Town and Education portion of the tax bill, which is the maximum rebate allowed under the Municipal Act for a Heritage Rebate program. For example, if a property currently pays \$1000 for the Town portion of the tax bill, \$1000 for the Region's portion of the tax bill and \$2000 for the Education portion of the tax bill, the property owner will receive a rebate of \$1200 (\$400 for 40% of the Town's portion of the bill and \$800 for 40% of the Education portion of the bill). The average rebate for the Town's program is estimated at \$3200 per eligible property.

The rebate will be made annually. Application forms for eligible properties will be made available in Spring each year for a return to the Town for processing over the summer and fall each year. Applications will be encouraged by September 15th each year so that rebates can be made expeditiously. The legislated deadline for rebates is the last day of February of the year following which the application is made (e.g. February 28, 2022 for 2021 applications). Rebates will be made prior to December 15th each year and will be made by cheque if there are no subsequent property tax installments owing at the time the rebate is processed. The first application for a property will require a heritage easement agreement and documentation of the heritage portions of the property.

Notice

Once the Town passes a by-law to adopt the heritage property tax relief program we must provide a copy of the By-law to the Region of Peel. It is up to the Region of Peel whether it decides to provide similar relief based on its portion of the tax revenues.

Within 30 days after the by-law is passed, Caledon must provide a copy of the by-law to the Minister of Finance. In addition, municipalities are encouraged to send a copy of their by-law to the Heritage and Libraries Branch of the Ministry of Heritage, Sports Tourism and Culture Industries. The Ministry documents the heritage tax rebate programs offered across the Province.

FINANCIAL IMPLICATIONS

If the Town implements a Heritage Tax Rebate Program, it is estimated that the program costs will be \$50,000 based on the current number of properties eligible for enrollment in the program. This will be included as an unavoidable budget increase for the 2021 budget under Community Services (account # 01-02-405-44070-365-62552 heritage tax rebate) to be supported by the Town's general tax levy. There are currently 42 properties that may be eligible for this program. Staff will review the budget annually to ensure its efficiency and will report back to Council through the annual budget process if additional funds or changes to the program are needed. Council can also choose to provide less than \$50,000 in budget to support this program. In this case, the by-law will allow for applications for rebates to be accepted in the order they are received, up to the budgeted amount provided by Council.

If passed, the Province will support the Education portion of the tax bill by matching a 40% rebate of the Education taxes.

To facilitate the registration of easement agreements required for this program, the 2021 User Fee By-law will include a fee of \$200.00 plus HST for the recovery of the legal fees required.

The actual amount of each rebate will be determined by the amount of taxes levied on the property, which are applicable to the building or structure that is the eligible heritage property and the lands used in connection with the eligible property (that being the portion of the total taxes that pertain to the heritage elements covered in the Heritage Easement Agreement). This calculation may require the service of the Municipal Property Assessment Corporation (MPAC) to determine the applicable assessment.

COUNCIL WORK PLAN

Sustainable Growth - Bolton downtown revitalization

Connected Community - Preserve heritage and natural areas



ATTACHMENTS

Schedule A: Proposed Easement Agreement

Schedule B: Proposed Heritage Tax Rebate Program By-law