Municipal, Provincial and Federal Tax Incentives for Heritage Conservation

(City Council on February 29, March 1 and 2, 2000, adopted this Clause, without amendment.)

The Policy and Finance Committee recommends:

(I) the adoption of the Recommendations of the Assessment and Tax Policy Task Force embodied in the communication (January 31, 2000) from the City Clerk, subject to:

(A) amending Recommendation No. (5) by inserting before the words "The City Solicitor" the words "subsequent to Council approval of the report requested in Recommendation No. (4) above";"

(B) striking out and referring the following Recommendations Nos. (8), (18) and (19) to the Chief Financial Officer and Treasurer for report thereon to the Business Reference Group and the Policy and Finance Committee:

"(8) City Council endorse, for the consideration of the Business Reference Group, that upon the expiry of the cap on commercial and industrial tax classes in the year 2001, all designated heritage buildings be assessed and taxed under current value assessment and in current use without clawbacks or limitations on tax decreases; and also request the Provincial Government, through the Minister of Finance, to enable this tax policy through any changes to provincial acts and/or regulations;";

"(18) City Council endorse in principle that all entire buildings, designated under the Ontario Heritage Act, that are subject to Heritage Conservation Easements, be taxed without clawbacks as to tax decreases to which they would be entitled were it not for the "cap"; that these buildings be exempted from the clawbacks for the full three years that the "cap" has been in effect; and that the Province of Ontario be requested to provide the requisite legislative and regulatory authority;";

"(19) the Chief Financial Officer and Treasurer report back to the Task Force on the impact of Recommendation No. (18);"; and

(C) amending Recommendations Nos. (9), (11), (12), (13), (14), (15), and (16) to identify the specific Federal Provincial government department responsible; so that the Recommendations now read as follows:

"(1) City Council endorse as City policy the 10 principles for heritage conservation incentives set out in Appendix A to the report

(December 12, 1999) from the Acting Commissioner of Urban Development Services;

(2) City Council endorse a heritage tax back grant programme incorporating the principles outlined in the report (December 12, 1999) from the Acting Commissioner of Urban Development Services;

(3) City Council endorse the creation of a tax sub-class for heritage buildings with Heritage Easement Agreements, with the intent of reducing the property tax on such buildings;

(4) the Commissioners of Economic Development, Culture and Tourism, Urban Development Services and the Chief Financial Officer and Treasurer, in consultation with the Toronto Preservation Board, jointly bring forward to Council a detailed implementation schedule, to begin taking effect in the year 2000, for a heritage tax back grant programme incorporating the principles outlined in this report;

(5) subsequent to Council approval of the report requested in Recommendation No. (4) above the City Solicitor brings forward an enabling by-law to permit the establishment of a heritage tax back grant programme;

(6) City Council request the Provincial Government, through the Minister of Finance, to amend Provincial regulations to permit municipalities in Ontario to opt-in to a separate heritage property tax class and amend Provincial legislation to create a sub-class for entire designated heritage buildings that are subject to Heritage Easement Agreements, and allow municipalities to opt-in to this sub-class, and request the Association of Municipalities of Ontario to support this initiative;

(7) the Commissioners of Economic Development, Culture and Tourism, Urban Development Services and the Chief Financial Officer, in consultation with the Toronto Preservation Board, jointly continue to examine and report on, by May 2000, the creation of a separate heritage property tax class or heritage property sub-classes for whole heritage buildings in their original location that are subject to Heritage Easement Agreements within the City. This report shall make recommendations as to the nature of Provincial legislative and regulatory amendments that would best meet the heritage objectives of the City;

(8) City Council request the Provincial Government (Minister of Municipal Affairs and Housing and Minister of Citizenship, Culture and Recreation) to enact special legislation to extend to the entire

City, demolition controls that require Council approval of a new replacement building prior to issuance of a permit to demolish a designated heritage building;

(9) City Council endorse the concept of priority processing for all development applications that entail the restoration and conservation of a designated heritage building, and request the Commissioner of Urban Development Services to report directly to the Planning and Transportation Committee on the implementation of such a priority processing mechanism;

(10) City Council request the Government of Canada (Minister of Canadian Heritage) to initiate a long-term ongoing Federal Tax Credit for costs incurred in the rehabilitation of designated heritage buildings and structures; and request the Federation of Canadian Municipalities to support this initiative;

(11) City Council request the Government of Canada (Minister of Canadian Heritage and Minister of Finance Canada) to initiate a long-term ongoing Goods and Services Tax rebate for the GST paid on goods, material, services and labour in the rehabilitation of designated heritage buildings; and request the Federation of Canadian Municipalities to support this initiative;

(12) City Council request the Province (Minister of Citizenship, Culture and Recreation, and Minister of Finance) to initiate a long-term Provincial Tax Credit to supplement the recommended federal tax credit, for costs incurred in the substantial rehabilitation of designated heritage buildings; and request the Association of Municipalities of Ontario to support this initiative;

(13) City Council request the Province (Minister of Citizenship, Culture and Recreation, and Minister of Finance) to initiate a long-term Provincial Sales Tax rebate without caps for PST paid on goods, materials, services and labour in the substantial rehabilitation of designated heritage buildings and request the Association of Municipalities of Ontario to support this initiative;

(14) City Council request the Province (Minister of Citizenship, Culture and Recreation and the Minister of Finance) to establish a Tax Back Grant Programme to partner municipal programmes to rebate, in the form of grants, the incremental property taxes set by the Province for school purposes attributable to significant restoration work on designated heritage buildings and request the Association of Municipalities of Ontario to support this initiative;

(15) City Council request the Province (Minister of Finance) to include the restoration and conservation of heritage structures in the proposed Provincial "Superbuild Growth Fund" infrastructure program;

(16) City Council request the Acting Commissioner of Urban Development Services to report to the Task Force on ways and means to include in the Official Plan and Zoning By-law policies to require development applicants for Official Plan and/or Zoning By-law Amendments to contribute toward a Municipal Revolving Fund for Heritage Preservation to assist in long-term restoration and preservation of designated heritage buildings with registered easements, and tradeable density bonuses, and to report on the administrative arrangements therefore;

(17) the above recommendations and the report (December 12, 1999) from the Acting Commissioner of Urban Development Services be forwarded to the Association of Municipalities of Ontario and the Federation of Canadian Municipalities for their consideration and support; and

(18) the City of Toronto give consideration to hosting a one-day conference with other municipalities across Ontario and Canada, perhaps in June, 2000, in London, Ontario at the Annual General Meeting of the Federation of Canadian Municipalities; and that a small committee be formed to report on this matter as soon as possible to the Economic Development and Parks Committee;"; and

(II) that all references to "Heritage Toronto" in the aforementioned recommendations and the report (December 12, 1999) from the Acting Commissioner of Urban Development Services, be replaced with the "Toronto Preservation Board".

The Policy and Finance Committee submits the following communication (January 31, 2000) from the City Clerk:

Recommendations:

The Assessment and Tax Policy Task Force recommends that:

(1) City Council endorse as City policy the 10 principles for heritage conservation incentives set out in Appendix A to the report (December 12, 1999) from the Acting Commissioner of Urban Development Services;

(2) City Council endorse a heritage tax back grant programme incorporating the principles outlined in the report (December 12, 1999) from the Acting Commissioner of Urban Development Services;

(3) City Council endorse the creation of a tax sub-class for heritage buildings with Heritage Easement Agreements, with the intent of reducing the property tax on such buildings;

(4) the Commissioners of Economic Development, Culture and Tourism, Urban Development Services and the Chief Financial Officer and Treasurer, in consultation with The Toronto Preservation Board, jointly bring forward to Council a detailed implementation schedule, to begin taking effect in the year 2000, for a heritage tax back grant programme incorporating the principles outlined in this report;

(5) the City Solicitor brings forward an enabling by-law to permit the establishment of a heritage tax back grant programme;

(6) City Council request the Provincial Government, through the Minister of Finance, to amend Provincial regulations to permit municipalities in Ontario to opt-in to a separate heritage property tax class and amend Provincial legislation to create a sub-class for entire designated heritage buildings that are subject to Heritage Easement Agreements, and allow municipalities to opt-in to this sub-class, and request the Association of Municipalities of Ontario to support this initiative;

(7) The Commissioners of Economic Development, Culture and Tourism, Urban Development Services and the Chief Financial Officer, in consultation with The Toronto Preservation Board, jointly continue to examine and report on, by May 2000, the creation of a separate heritage property tax class or heritage property sub-classes for whole heritage buildings in their original location that are subject to Heritage Easement Agreements within the City. This report shall make recommendations as to the nature of Provincial legislative and regulatory amendments that would best meet the heritage objectives of the City;

(8) City Council endorse, for the consideration of the Business Reference Group, that upon the expiry of the cap on commercial and industrial tax classes in the year 2001, all designated heritage buildings be assessed and taxed under current value assessment and in current use without clawbacks or limitations on tax decreases; and also request the Provincial Government, through the Minister of Finance, to enable this tax policy through any changes to provincial acts and/or regulations;

(9) City Council request the Provincial Government to enact special legislation to extend to the entire City, demolition controls that require Council approval of a new replacement building prior to issuance of a permit to demolish a designated heritage building;

(10) City Council endorse the concept of priority processing for all development applications that entail the restoration and conservation of a designated heritage building, and request the Commissioner of Urban Development Services to report directly to Planning and Transportation Committee on the implementation of such a priority processing mechanism;

(11) City Council request the Government of Canada to initiate a long-term ongoing Federal Tax Credit for costs incurred in the rehabilitation of designated heritage buildings and structures; and request the Federation of Canadian Municipalities to support this initiative;

(12) City Council request the Government of Canada to initiate a long-term ongoing Goods and Services Tax rebate for the GST paid on goods, material, services and labour in the rehabilitation of designated heritage buildings; and request the Federation of Canadian Municipalities to support this initiative;

(13) City Council request the Province to initiate a long-term Provincial Tax Credit to supplement the recommended federal tax credit, for costs incurred in the substantial rehabilitation of designated heritage buildings; and request the Association of Municipalities of Ontario to support this initiative;

(14) City Council request the Province to initiate a long-term Provincial Sales Tax rebate without caps for PST paid on goods, materials, services and labour in the substantial rehabilitation of designated heritage buildings and request the Association of Municipalities of Ontario to support this initiative;

(15) City Council request the Province to establish a Tax Back Grant Programme to partner municipal programmes to rebate, in the form of grants, the incremental property taxes set by the Province for school purposes attributable to significant restoration work on designated heritage buildings and request the Association of Municipalities of Ontario to support this initiative;

(16) City Council request the Province to include the restoration and conservation of heritage structures in the proposed Provincial "Superbuild Growth Fund" infrastructure program;

(17) City Council request the Acting Commissioner of Urban Development Services to report to the Task Force on ways and means to include in the Official Plan and Zoning By-law policies to require development applicants for Official Plan and/or Zoning By-law Amendments to contribute toward a Municipal Revolving Fund for Heritage Preservation to assist in long-term restoration and preservation of designated heritage buildings with registered easements, and tradeable density bonuses, and to report on the administrative arrangements therefore;

(18) City Council endorse in principle that all entire buildings, designated under the Ontario Heritage Act, that are subject to Heritage Conservation Easements, be taxed without clawbacks as to tax decreases to which they would be entitled were it not for the "cap"; that these buildings be exempted from the clawbacks for the full three years that the "cap" has been in effect; and that the Province of Ontario be requested to provide the requisite legislative and regulatory authority;

(19) the Chief Financial Officer and Treasurer report back to the Task Force on the impact of Recommendation No. (18);

(20) the above recommendations and the report (December 12, 1999) from the Acting Commissioner of Urban Development Services be forwarded to the Association of Municipalities of Ontario and the Federation of Canadian Municipalities for their consideration and support; and

(21) the City of Toronto give consideration to hosting a one-day conference with other municipalities across Ontario and Canada, perhaps in June, 2000, in London, Ontario at the Annual General Meeting of the Federation of Canadian Municipalities; and that a small committee be formed to report on this matter as soon as possible to the Economic Development and Parks Committee.

The Assessment and Tax Policy Task Force reports, for the information of the Policy and Finance Committee, having requested the Acting Commissioner of Urban Planning and Development Services to report to the Task Force, at its meeting to be held on March 27, 2000 on the former City of York Heritage Model.

Background:

The Assessment and Tax Policy Task Force, on January 25, 2000, had before it a report (December 12, 1999) from the Acting Commissioner of Urban Development Services respecting Municipal, Provincial and Federal Tax Incentives for Heritage Conservation, and recommending that:

"(1) The Assessment and Tax Policy Task Force and Council endorse as City policy the 10 principles for heritage conservation incentives set out in Appendix A to this report;

(2) The Assessment and Tax Policy Task Force endorse a heritage tax back grant programme incorporating the principles outlined in this report;

(3) The Commissioners of Economic Development, Culture and Tourism, Urban Development Services and the Chief Financial Officer, in consultation with The Toronto Preservation Board, jointly bring forward to Council a detailed implementation schedule for a heritage tax back grant programme incorporating the principles outlined in this report;

(4) The City Solicitor brings forward an enabling by-law to permit the establishment of a heritage tax back grant programme;

(5) Council request the Provincial Government to amend Provincial regulations to permit municipalities in Ontario to opt-in to a separate heritage property tax class and amend Provincial legislation to create a sub-class for entire designated heritage buildings that are subject to Heritage Easement Agreements, and allow municipalities to opt-in to this sub-class;

(6) The Commissioners of Economic Development, Culture and Tourism, Urban Development Services and the Chief Financial Officer, in consultation with The Toronto Preservation Board, jointly continue to examine and report on, by May 2000, the creation of a separate heritage property tax class or heritage property sub-classes for whole heritage buildings in their original location that are subject to Heritage Easement Agreements within the City. This report shall make recommendations as to the nature of Provincial legislative and regulatory amendments that would best meet the heritage objectives of the City;

(7) The Assessment and Tax Policy Task Force endorse, for the consideration of the Business Reference Group, that upon the expiry of the cap on commercial and industrial tax classes in the year 2001, all designated heritage buildings be assessed and taxed under current value assessment without clawbacks or limitations on tax decreases;

(8) Council request the Provincial Government to enact special legislation to extend to the entire City, demolition controls that require Council approval of a new replacement building prior to issuance of a permit to demolish a designated heritage building;

(9) The Assessment and Tax Policy Task Force endorse the concept of priority processing for all development applications that entail the restoration and conservation of a designated heritage building, and request the Commissioner of Urban Development Services to report directly to Planning and Transportation Committee on the implementation of such a priority processing mechanism;

(10) Council request the Government of Canada to initiate a long-term ongoing Federal Tax Credit for costs incurred in the rehabilitation of designated heritage buildings and structures;

(11) Council request the province to initiate a long-term ongoing Goods and Services Tax rebate for the GST paid on goods, material, services and labour in the rehabilitation of designated heritage buildings;

(12) Council request the Province to initiate a long-term Provincial Tax Credit to supplement the recommended federal tax credit, for costs incurred in the substantial rehabilitation of designated heritage buildings;

(13) Council request the Province to initiate a long-term Provincial Sales Tax rebate without caps for PST paid on goods, materials, services and labour in the substantial rehabilitation of designated heritage buildings;

(14) Council request the Province to establish a Tax Back Grant Programme to partner municipal programmes to rebate, in the form of grants, the incremental taxes for school purposes attributable to significant restoration work on designated heritage buildings; and

(15) Council request the Province to include the restoration and conservation of heritage structures in the proposed Provincial “Superbuild Growth Fund” infrastructure program”.

During consideration of the foregoing matter, the Task Force also had before it a communication (January 12, 2000) from Michael McClelland, E.R.A. Architects Inc.

The following persons appeared before the Assessment and Tax Policy Task Force in connection with the foregoing matter:

- Mr. Michael McClelland, ERA Architects Inc.;
- Terry M. Russell, President, Toronto Historical Association;
- Mr. William N. Greer, New Heritage Toronto;
- Ms. Catherine Nasmith, Chair, Preservation Board;
- Mr. S. J. Godfrey;
- Mr. Michael Tippin, President, Tippin Corporation;
- Ms. Jane Beecroft, CHP Heritage Centre;
- Councillor Johnston (North Toronto).

The recommendations of the Task Force are noted above.

(Report dated December 12, 1999, addresssed to the
Assessment and Tax Policy Task Force from the
Acting Commissioner of Urban Development Services)

Purpose:

To encourage the conservation of heritage properties in the City of Toronto by making recommendations to the Assessment and Tax Policy Task Force on the creation of municipal, provincial and federal tax incentives.

Background:

On June 28, 1999 the Assessment and Tax Policy Task Force requested the Commissioner of Urban Development Services, in consultation with The Toronto Preservation Board, and appropriate civic officials, to study and report to the Task Force, on the need for and use of heritage preservation incentives, including a new tax class or sub-class that could be used in conjunction with, or in lieu of, property tax incentives for heritage preservation in the City of Toronto. On September 22, 1999 the Task Force considered an interim report on the matter and further requested that the Acting Commissioner for Urban Development Services:

(a) comment on the economic implications of proposed heritage and tax policy options at the municipal, provincial and federal levels; and

(b) include in his report, options for incentives which would encourage the preservation of natural heritage.

Other non-tax incentives for heritage restoration are currently being formulated for the new Official Plan and the Heritage Plan work of civic staff and the heritage community. Work on the preservation of natural heritage is at an embryonic stage and will be reported on separately at a future date. Staff of the Chief Financial Officer, the City Solicitor, the Director of Economic Development, the Managing Director of Cultural Affairs and The Toronto Preservation Board and members of the heritage community have all been consulted on the contents of this report. Due to the length of the report, all but the executive summary and recommendations have been attached as Appendix A.

Executive Summary:

A City's built heritage imparts a unique sense of place, civic identity, and continuity to our citizenry. Restoration of heritage buildings is also a good investment resulting in a multitude of direct and demonstrated multipliers in the local economy. Sadly, many of Toronto's architectural gems and historical landmarks have crumbled under the wrecker's ball. Once they are gone, they are gone forever. But it is not too late to concentrate our efforts on conserving what remains of our built heritage.

We possess the legal powers to delay, but not ultimately prevent, the demolition of our designated heritage buildings. Lacking true legislative preservation powers, it is important that we create incentives for private sector stewards of our heritage buildings to rehabilitate and conserve rather than demolish. In past years, the high cost of maintaining heritage buildings, urban land markets and the paucity of restoration incentives, have weighted the scales in favour of demolition.

Currently there are no ongoing fiscal incentive programmes at the Provincial or Federal levels for heritage restoration, only occasional grant programmes. Toronto offers only a very limited grants project for heritage restoration, usually capped at $5,000.00. The tax incentive recommendations of this report, if acted on by all three levels of government, would create a powerful partnership to conserve our national, provincial and civic built heritage.

It is important for the City to lead by example in implementing tax incentives to conserve heritage buildings. Only if we go forward and establish the programmes that we are capable of, can the City convincingly advocate the Provincial and Federal governments to use the powerful tax incentive tools within their powers.

Recommended Civic Actions:

This report recommends that the City of Toronto immediately act to establish a Heritage Tax Back Grant Programme. Under the existing assessment system, a substantial rehabilitation of a designated heritage building results in increased assessment and taxation, a built-in disincentive to restoring heritage buildings. A Tax Back Grant program would essentially guarantee to private sector stewards of designated heritage buildings that their taxes would not increase for a decade due to heritage restorations, but would return, in a grant form the incremental taxation that results from the restoration work, capped by the amount of money spent on the agreed-to restoration work. This initiative involves no civic financial outlay, and is currently in use in other Ontario municipalities.

This report also recommends that the Minister of Finance be requested to amend the Provincial assessment regulations to allow municipalities in Ontario to opt into a special heritage property tax class or heritage property tax sub-classes. While the Minister is researching and considering this request, staff are working on a program that could see a tax reduction for whole heritage buildings that have a protective Heritage Easement Agreement on title through a special heritage tax class or sub-classes. Essentially, those owners who have entered into an agreement with the City to conserve, not demolish, their buildings and to maintain them in good condition would be eligible for a reduction in taxes relative to other non-heritage buildings in similar use. A complete analysis of Heritage Easement Agreements and the projected costs are needed before such a programme can be recommended to Council. This further staff report will also make recommendations as to what manner of special heritage tax class or sub-classes would best meet the heritage objectives of the City of Toronto. If timing permits, these recommendations should be part of the overall package considered by the Business Reference Group.

Under current value assessment most designated heritage buildings in commercial and industrial use were due for a decrease in assessment and taxes. With the establishment of a cap on tax increases and decreases for commercial and industrial buildings until 2001, the lower taxes for designated heritage buildings in commercial and industrial uses have not materialized. This report recommends that the Task Force make known to the Business Reference Group their preference that current value assessment be applied to these buildings after the cap expires in 2001 without clawbacks or limitations on tax decreases.

This report recommends two non-fiscal civic actions take place in advance of the other additional heritage incentives to be contained in the new Official Plan. The Commissioner of Urban Development Services is requested to create a programme of priority processing for applications that entail the restoration of a designated heritage property.

We are also recommending that the Provincial Government be requested to extend controls which prohibit the demolition of a designated heritage building without first obtaining a building permit for a replacement building, currently applicable only to the former cities of Scarborough and Toronto, to the entire new City of Toronto.

Recommended Provincial Actions:

A serious comprehensive toolbox of heritage conservation incentives requires the Province to act as partners of private sector owners seeking to restore our provincial heritage.

Fourteen American states currently offer a State Income Tax Credit for the costs incurred in restoring designated heritage properties. This is an effective, proven incentive for heritage conservation. This report recommends that the Province of Ontario be requested to implement a similar type of programme. The high cost of restoring and maintaining a heritage building is increased further by the cost of Provincial and Federal taxes on goods, materials and labour. We are therefore suggesting that the City request the Provincial Government to institute a long-term programme without caps to rebate the provincial sales tax payable for costs incurred in rehabilitating designated heritage buildings. The report also recommends that the Province be invited to be a partner in the proposed civic heritage tax back grant programme, by establishing a similar initiative to rebate the provincial share of property tax increments that are attributable to the restoration of designated heritage buildings.

The Province of Ontario has recently announced a $20 billion dollar infrastructure program, known as the 'Superbuild Growth Fund". In August 1999, Kitchener City Council requested that the conservation of heritage structures be eligible for funding under this infrastructure program. This report recommends that Toronto City Council endorse that request.

Finally, this report recommends that the Province once more be requested to research and make regulatory amendments to allow municipalities to establish a separate heritage tax classes, and legislative amendments to create heritage tax sub-classes for designated heritage buildings. The heritage tax class or sub-classes would establish a lower rate of taxation in return for commitments to conserve heritage buildings and maintain them in good condition. The heritage tax class and sub-classes should be structured to give municipalities a choice whether or not to opt in to such a programme. A further staff report will make recommendations as to what type of heritage tax class or sub-class programme would best meet the heritage objectives of the City of Toronto.

Recommended Federal Government Actions:

This report recommends that the City seek Federal partnership in establishing a comprehensive series of long-term incentives to rehabilitate and maintain our built heritage. The report suggests the creation of a Federal Tax Credit programme for the restoration of designated heritage buildings, similar to the successful U.S. federal programmes that grant a 20 percent or 10 percent income tax credit for expenditures to rehabilitate heritage buildings. A rebate of the Goods and Services Tax for materials, services and labour costs incurred in the rehabilitation of designated heritage buildings is also recommended.

Financial Implications Of This Report:

(a) the Provincial and Federal actions being recommended in this report would have a positive fiscal impact on the City of Toronto through encouraging the restoration of heritage buildings and increasing the assessed value of these properties.

(b) the recommended 'Tax Back Grant' proposal is essentially revenue neutral. The tax back grant would offset the annual increase in taxes for municipal purposes resulting from the restoration of heritage features of heritage properties for a decade. This program would result in higher assessment due to enhanced property value beyond the end of a decade for each participating property.

(c) a special heritage tax class or subclasses for designated heritage properties which are subject to a Heritage Easement Agreement would decrease the tax revenue from these properties, but decreased municipal tax rates would be partially offset by increased assessment from rehabilitated buildings. Changes to Provincial assessment regulations or legislation and a complete analysis of existing Heritage Easement Agreements and the fiscal impact are required before such a program is recommended to Council.

Recommendations:

It is recommended that the:

(1) Assessment and Tax Policy Task Force and Council endorse as City policy the 10 principles for heritage conservation incentives set out in Appendix A to this report;

(2) Assessment and Tax Policy Task Force endorse a heritage tax back grant programme incorporating the principles outlined in this report;

(3) Commissioners of Economic Development, Culture and Tourism, Urban Development Services and the Chief Financial Officer, in consultation with The Toronto Preservation Board, jointly bring forward to Council a detailed implementation schedule for a heritage tax back grant programme incorporating the principles outlined in this report;

(4) City Solicitor brings forward an enabling by-law to permit the establishment of a heritage tax back grant programme;

(5) Council request the Provincial Government to amend Provincial regulations to permit municipalities in Ontario to opt-in to a separate heritage property tax class and amend Provincial legislation to create a sub-class for entire designated heritage buildings that are subject to Heritage Easement Agreements, and allow municipalities to opt-in to this sub-class;

(6) Commissioners of Economic Development, Culture and Tourism, Urban Development Services and the Chief Financial Officer, in consultation with The Toronto Preservation Board, jointly continue to examine and report on, by May 2000, the creation of a separate heritage property tax class or heritage property sub-classes for whole heritage buildings in their original location that are subject to Heritage Easement Agreements within the City. This report shall make recommendations as to the nature of Provincial legislative and regulatory amendments that would best meet the heritage objectives of the City;

(7) Assessment and Tax Policy Task Force endorse, for the consideration of the Business Reference Group, that upon the expiry of the cap on commercial and industrial tax classes in the year 2001, all designated heritage buildings be assessed and taxed under current value assessment without clawbacks or limitations on tax decreases;

(8) Council request the Provincial Government to enact special legislation to extend to the entire City, demolition controls that require Council approval of a new replacement building prior to issuance of a permit to demolish a designated heritage building;

(9) Assessment and Tax Policy Task Force endorse the concept of priority processing for all development applications that entail the restoration and conservation of a designated heritage building, and request the Commissioner of Urban Development Services to report directly to Planning and Transportation Committee on the implementation of such a priority processing mechanism;

(10) Council request the Government of Canada to initiate a long-term ongoing Federal Tax Credit for costs incurred in the rehabilitation of designated heritage buildings and structures;

(11) Council request the province to initiate a long-term ongoing Goods and Services Tax rebate for the GST paid on goods, material, services and labour in the rehabilitation of designated heritage buildings;

(12) Council request the Province to initiate a long-term Provincial Tax Credit to supplement the recommended federal tax credit, for costs incurred in the substantial rehabilitation of designated heritage buildings;

(13) Council request the Province to initiate a long-term Provincial Sales Tax rebate without caps for PST paid on goods, materials, services and labour in the substantial rehabilitation of designated heritage buildings;

(14) Council request the Province to establish a Tax Back Grant Programme to partner municipal programmes to rebate, in the form of grants, the incremental taxes for school purposes attributable to significant restoration work on designated heritage buildings; and

(15) Council request the Province to include the restoration and conservation of heritage structures in the proposed Provincial "Superbuild Growth Fund" infrastructure program.

<u>Contact</u>:

Paul Bain, Principal Planner, Tel: 392-8781, Fax: 397-4080.

Appendix A

(A) Introduction:

Why Heritage Conservation Matters:

The heritage buildings, monuments and streetscapes of Toronto are far more than bricks and mortar. They give a unique sense of place to a city, and a rooted sense of civic identity and continuity to our citizenry. A city that has lost its heritage sites is like a man who has lost his memory...unsure of who he is and where he has come from. And a city that has lost its visible past no longer can communicate it to our children and new neighbours. This is a powerful loss in a city like Toronto where the majority of our residents twenty years hence do not live here today. In a city as culturally diverse as Toronto, heritage conservation is also a powerful tool to celebrate, and educate our citizenry about, the roots of all of our communities.

Apart from the importance of our sense of place and self-identity, heritage conservation is a wise investment for any municipality that:

(1) Sets off a greater economic multiplier from renovation and restoration of heritage buildings than is the case for new construction. A 1986 study by the CMHC found that renovation is twice as labour intensive as new construction and yields 27.8 direct jobs per million dollars invested, compared to new construction which is material intensive and produces just 12.8 direct jobs per million dollar expenditure;

(2) Is important as an anchor draw for tourism, and its economic multipliers;

(3) Provides key locations and a diverse building stock for Toronto's burgeoning film industry;

(4) Prevents demolitions, thereby extending the life of landfill sites for the city; and,

(5) Enhances attractive older neighbourhoods, thereby maintaining and increasing neighbourhood desirability, market values, assessments and tax income.

Heritage Conservation: Who Pays? Who Benefits?

The conservation of heritage properties is a public benefit that provides numerous benefits, both aesthetic/spiritual and economic, to individual citizens, neighbourhoods and the city as a whole. The cost of maintaining a heritage building or property in good order far exceeds the costs of normal repair and maintenance on newer structures, particularly if the repairs are to be sensitive to the original architecture. These costs are borne almost entirely by the private sector stewards of heritage structures, as over 80 per cent of Toronto's designated heritage buildings are privately owned. Many jurisdictions recognize the high costs of maintaining heritage buildings and, in some instances, foregoing development rights that may have otherwise applied.

In jurisdictions with a form of market value property assessment, there is an added governmental disincentive to restoring heritage properties, as heritage restoration most frequently results in increased assessment and increased taxes that are not always covered by a rise in rent levels.

Sadly, many of Toronto's architectural gems and historic landmarks have crumbled under the wrecker's ball. Given the weakness of heritage protection laws and the lack of incentives for heritage restoration at every level of government, we are fortunate that enough heritage buildings remain to remind us of our past.

Under *the Ontario Heritage Act* a municipality may designate a property that is of historical or architectural value or interest. However, a municipality can only delay, not prevent, the demolition of a designated heritage building. In the absence of an effective 'stick', it is necessary for governments to wave enticing 'carrots' to encourage the restoration and conservation of heritage buildings.

The Bare Cupboard: Existing Heritage Conservation Incentives:

Unfortunately, these incentives have been lacking at every level of government. The Federal and Provincial governments provide grants from time to time for heritage restoration in Toronto but have no ongoing systematic incentives for the conservation of privately-owned heritage buildings. The Province has now introduced legislation to allow owners of qualifying heritage properties to get a provincial sales tax rebate of up to $3,000.00 for 'tax paid on tangible personal property that is incorporated into real property in connection with an eligible project for the conservation or restoration of a qualifying heritage property'. This rebate will apply to purchases made between May 4, 1999 and December 31, 2000. The administrative details of this programme are not yet available. The Minister of Culture, Citizenship and Recreation, also publicly announced, on October 19th, that the Province was proposing a $10 million 'Heritage Challenge Fund' grant program. No details are yet available, but it appears that half of this fund will be used for restoration of provincially owned heritage properties.

Although all of the Official Plans of the former municipalities that comprise the new City contain policies to encourage heritage preservation, the actual incentives offered are very limited.

Existing municipal heritage conservation incentives in the new City of Toronto are limited in both financial and geographical scope. The Toronto Preservation Board administers Toronto Heritage Fund grants. These are small cash grants, normally capped at $5,000.00, payable on a matching basis to support approved restoration. The grants are financed from the interest portion of a reserve fund and are therefore quite small. In the Central Area of the former City of Toronto limited heritage density bonuses were available in the form of not counting the floor space of heritage buildings in the calculation of density. As well, in the former City of Toronto, limited density transfers were permitted where designated heritage buildings were being restored to house a performing arts venue as well as on three sites with large heritage buildings set in the midst of publicly accessible open spaces. On 'Main Streets' in the former City of Toronto there is an exemption from the parking and loading requirements of the Zoning By-law. However, there are no heritage conservation incentives in place for most of our new City, except for the very limited grant program.

Canada, Ontario and Toronto Lag Far Behind American Jurisdictions:

At a civic, provincial and federal level our governments lag far behind other cities, provinces, states and the American federal government in providing creative financial incentives, particularly tax incentives for the restoration and conservation of heritage buildings.

The US Federal government provides a nation-wide federal 20 percent tax credit for the restoration of heritage buildings. There are state-wide property tax abatements in 26 states in the U.S., and state income tax credits to supplement the federal tax credit in 14 states resulting in either state property tax abatements or income tax credits in 35 of the 50 American states.

Within Canada, many provinces have ongoing provincial grant programs and have heritage legislation that permits municipalities to offer a full array of financial inducements to conserve and restore heritage buildings. For example, in British Columbia the Municipal Act allows municipalities to grant a tax exemption for designated heritage properties for a period of up to 10 years to help reduce the impact of an increase in property taxes that may result as improvements increase the value of a property. In Alberta, the Alberta Historical Resources Act actually requires the municipality to pay compensation to the owner of a heritage property for any loss of economic value arising from heritage designation. The assistance can include municipal property tax rebates, development regulation relaxation's or direct payments for specific rehabilitation costs. In Nova Scotia, there is a permanent provincial program to rebate the 8 per cent provincial sales tax paid on materials and labour for the restoration of designated heritage buildings, with a cap of $2,000.00 per year for each property.

Even within Ontario, the City of Toronto is not keeping up with other cities in providing those incentives that are now permissible under current legislation. For example under Sections 39 and 45 of the Ontario Heritage Act municipal councils can pass by-laws to make grants to the owner of designated heritage properties. This permission has been used by cities such as Cobourg, Kitchener, London and Perth to institute, with provincial encouragement, municipal tax back grants for designated heritage properties. The grant is equal to the amount of the annual increase in the municipal portion of the real property taxes that is the result of reassessment arising from an approved restoration/rehabilitation of a designated heritage building.

It is important that the City of Toronto take the lead in acting to preserve our remaining stock of heritage structures. These buildings are irreplaceable civic treasures–when they are gone, they are gone forever. Civic leadership involves doing what is now legally permissible and requesting changes in Provincial regulations to allow for new types of municipal incentives we cannot now put in place. At the same time, the City needs to adopt an advocacy role with the Federal and Provincial governments to request upper-tier financial incentives for heritage restoration that are commonplace in other jurisdictions.

Principles Underlying Heritage Conservation Incentives:

While there are a great variety of possible heritage conservation incentive programs, the desirability of implementing any measure should be considered on the basis of a few simple principles. Heritage conservation incentive programs should:

(1) encourage restoration of designated heritage buildings, not simple ownership;

(2) be applicable only to designated heritage buildings to encourage designation;

(3) be applicable to all classes of buildings–residential, commercial and institutional;

(4) be legally implementable;

(5) be revenue neutral or have a limited long-term cost to the City;

(6) target the portion of the property that contains the actual heritage features;

(7) reward those citizens who actually restore and renovate heritage buildings;

(8) reward citizens who shoulder the costs of maintaining heritage buildings in good condition and repair, but require ongoing evidence that the building is being maintained and that a public benefit is being achieved;

(9) be relatively straightforward for staff to implement; and

(10) be long-term, not temporary, programs.

(B) Recommended Actions For The City Of Toronto:

(1) Establishment of a Municipal Tax Back Grant Program for the Restoration of Designated Heritage Buildings:

What is the Concept of a Municipal Tax Back Grant for Heritage Restoration:

When a heritage building undergoes significant restoration, the assessed value of the property, and payable property taxes, normally increase. Because of market fluctuations, there is no certainty that the increased taxes will be recouped by rents. This creates a built-in tax disincentive for the restoration of heritage buildings.

A municipality may counteract this disincentive by off setting any increase in property taxes resulting from the restoration of a heritage building. The municipality does this by giving the owner a ‘grant’ that is equal to the municipal portion of any incremental property taxes attributable to an increased assessment resulting from approved heritage work. There is usually a stipulation that the cumulative amount of the grants cannot exceed the cost of the restoration work.

This type of program is essentially revenue neutral. The City would not receive any increase in property taxes resulting from the renovation until the grants cumulatively total the original heritage restoration cost or an agreed-upon period of time, usually 10 years, has elapsed. However, the municipality would benefit from increased assessment in later years. If the property were not restored because of existing disincentives, there would be no increase in assessment or fiscal benefit to the City in the short-term or the long-term.

What is the Authority for a Municipal Tax Back Grant Program for Heritage Restoration?

Sections 39 and 45 of the Ontario Heritage Act enable a municipality to pass by-laws to authorize grants or loans to the owner of a designated heritage property for the purpose of paying for the whole or partial cost of restoration of the property under terms and conditions that the municipality may prescribe. Using this authority, Ontario municipalities have enacted enabling by-laws and created a Municipal Tax Back Grant program to provide grants for a limited time period to offset increments in assessment that result from renovation and repair of designated heritage properties. Todate, London, Cobourg, and Perth have instituted tax back grant programmes and Hamilton and Kitchener are in the midst of implementing a similar scheme. This type of program is recognized by the Province as an appropriate use of the Ontario Heritage Act authority, and the Ministry of Citizenship, Culture and Recreation has published material to inform municipalities of these powers and the potential of municipal tax back grants for the conservation of heritage buildings.

What are the Costs and the Benefits to Toronto?

The City would not incur any new costs except administrative costs from the creation of a tax back program for heritage restoration. Administrative costs could be kept to a minimum by creating a relatively simple and straightforward program as recommended in this report. Administrative costs would vary with the success of the programme. The more heritage buildings are restored, the higher the administrative costs would be. There is a finite pool of approximately 1500 designated heritage properties in Toronto, of which approximately 150 are currently tax exempt. Many of the designated heritage properties have already undergone restoration in the past two decades under a different assessment scheme, and would not immediately participate in a restoration incentive program. From the experience of other jurisdictions, take-up on the program would be gradual over time and so would the administrative demands and costs. There is an additional pool of approximately 3000 ‘listed’ heritage properties in the former cities of North York and Toronto whose owners might choose to request designation in anticipation of major restoration. From a heritage conservation perspective, such new designations would be welcomed, as these properties would then be protected from incompatible alterations and any attempted demolition could be delayed by the City.

While the potential new costs of a heritage tax back grant program are minimal, the potential benefits are great. The benefits would include:

(i) increased restoration rather than loss of our precious remaining heritage structures;

(ii) the economic activity stimulated by restoration work that has greater multiplier spin-offs than new construction work;

(iii) the re-use of underused or deteriorating properties for new economic activity;

(iv) maintaining the attractiveness and stability of older residential neighbourhoods, adding to the value of property in those areas and maintenance of the assessment base;

(v) the increased attractiveness of the City for the important tourism and film sectors of the local economy; and

(vi) the increase in the assessment base over the longer term from the incremental assessment flowing from the restoration of heritage buildings.

The experience of other cities has shown that there is genuine ‘payback’ from grant programs for heritage restoration. For example, the City of Victoria supports residential conversions in downtown heritage buildings through direct tax grants of up to $50,000.00. Victoria civic staff reviewed the increase in tax revenue triggered by the investment and noted that the average ‘payback time’ was 4.9 years. In other words, the City received in new tax revenue enough to cover the initial costs of the grants in under five years. A tax back grant equal to incremental assessment would avoid the up-front costs of direct grant programmes, and the tax payback would still be there at the end of the agreement period.

The Need for a Heritage Restoration Agreement with the City:

It would be necessary and desirable for the owner undertaking restoration of a designated heritage building to enter into a Heritage Restoration Agreement with the City as a condition of eligibility for participation in a tax back grant program. The Agreement, to be registered on title for a period of 10 years would outline the rights and obligations of both the owner and the City.

The City would undertake to provide a tax back grant to the owner each year for a period of 10 years from the registration of the Agreement, that is equal to the lesser of:

(a) the increase in the municipal portion of property taxes from that paid in the year of the Heritage Restoration Agreement, not inclusive of any general city-wide tax rate increase; or

(b) one-tenth of the heritage restoration costs set out in the Heritage Restoration Agreement.

If there was a small increase in property assessment and taxation resulting from heritage restorations, the property owner would receive grants equal to the tax increments. If a major restoration occurred early in the Agreement period resulting in a large increase in property taxes, the owner would recoup most or all of the original costs of the heritage restoration, but would still pay property tax increases that exceeded the original cost of the restoration.

In other municipalities with heritage tax back grants, the length of incremental tax deferral varies between 5 and 12 years, with a 10 year tax grant agreement period being the most common. A 10-year agreement period would account for the reality that restoration work is often completed in phases over the course of several years and different assessment periods. An incentive to include the more substantial work in the initial restoration phase would result from a tax back grant program.

The actual fiscal benefit to the owner would only be clear to the owner when reassessment occurred. It is assumed that the amount of money spent on the renovation would bear a direct relationship to the resulting increased assessment and amount of the grant. The key point is that the owner would be assured that he would not be significantly penalized by increased taxes for bona fide restoration of a designated heritage building.

If there is a general increase in tax rates within the 10-year life of the Heritage Restoration Agreement, the grants would not offset the general tax increase, as the Agreement only deals with incremental tax increases resulting from heritage restoration work.

The tax back grant program would only apply to the municipal portion of the property tax. One of the recommendations of this report is that the Province be requested to participate in this program by concurrently rebating the equivalent of the education portion of any tax increment resulting directly from the restoration of a designated heritage building.

The City will also have to deal with the expiry of the current 2.5 percent cap on taxes in the commercial and industrial classes of buildings. The impact on Heritage Restoration Agreements should be part of the considerations of the Business Reference Group and the Assessment and Tax Policy Task Force in weighing options for the post-cap universe.

The actual restoration work to be undertaken will be cited in the Heritage Restoration Agreement. As only designated heritage buildings will be eligible for the program, each building will have the valuable heritage features already established under the 'Reasons for Designation'. It will be possible to ensure that the building would be renovated in a way that would complement the 'Reasons for Designation'. Any work that involves alteration to heritage features identified in the 'Reasons for Designation' will still have to be approved by City

Council, on recommendation from The Toronto Preservation Board. This approval can occur concurrently with approval of the Heritage Restoration Agreement.

Where a heritage property contains modern additions, or the proposed work involves new additions, only the heritage portion of the property will be subject to the restoration agreement. The tax back grant credit will only apply to work on the heritage portion of the property. Where a redevelopment involves both modern construction and heritage restoration, a calculation will be made at the time of the Heritage Restoration Agreement, based on the costing of the components of the overall project, setting out the proportion of any future increased assessment on the property resulting from renovations that will be subject to the tax back grant. A cap will be placed on the total cumulative amount of the tax back grant over the 10 year period to ensure that the grant can not exceed the value of the agreed-to heritage restoration work set out in the Heritage Restoration Agreement.

The Tax Back Grant program would specifically target work that:

(i) repairs and stabilizes designated heritage structures;

(ii) extends the life of designated heritage structures;

(iii) conserves significant architectural or other heritage elements; and/or

(iv) rehabilitates space to meet contemporary requirements, but in the process makes minimal changes to a structures historical integrity, including it's defining design characteristics, site and environment.

Only heritage restoration work that would be likely to trigger an increase in tax assessment should be eligible for a tax back grant. We are recommending that only restorations involving a minimum expenditure of $10,000.00 in labour, materials, equipment and professional fees be eligible for the proposed Tax Back Grant program.

Eligible work would include the costs of labour, materials and equipment for measures to restore, upgrade, or convert a designated building to a functional state for contemporary occupancy and use. The measures may include:

(i) work to protect significant original heritage elements, restore significant original elements that have deteriorated, or reconstruct such elements that are missing;

(ii) new interior construction where the work is sympathetic to the original historic building;

(iii) sympathetically designed improvements to improve accessibility for the disabled;

(iv) upgrades for energy efficiency provided the work does not affect the heritage attributes of the building;

(v) work to stabilize and preserve historically significant ruins and archaeological resources that are maintained in situ on the property;

(vi) repairs essential to the stabilization and preservation of a designated building, including repairs to the roof and eaves troughs, exterior cladding, windows, foundation and drainage;

(vii) repairs to, or replacement of, electrical, mechanical, heating plumbing and other physical plant to ensure compliance with the Ontario Building Code; and, approved architectural, engineering, and interior design fees.

The following types of work would not be eligible for inclusion in the Heritage Restoration Agreement:

(i) non-heritage awnings and signage;

(ii) exterior painting not based on historical analysis;

(iii) sandblasting or other cleaning methods that may damage a structure's finishes;

(iv) new fencing or landscaping that is not based on historical analysis;

(v) moving of structures;

(vi) work on a designated replica or reconstructed structure;

(vii) removing, preserving, storing or reusing portions of a demolished designated heritage building;

(viii) routine maintenance of a designated structure and its site; and

(ix) feasibility studies.

The actual work must be done and a letter of confirmation together with receipts submitted to The Toronto Preservation Board. In any event, there would be no tax back grant for property tax increases due to incremental assessment arising from restoration work unless the work was actually done.

There should be a condition in each Heritage Restoration Agreement that the building will be conserved, and maintained in good condition, for the life of the Agreement. Each Agreement will require that a registered architect with experience in restoration/conservation be retained by the owner in the fifth year of the Agreement to inspect and certify that the building is being maintained in good condition. The architect's report will be submitted to The Toronto Preservation Board. If the building is not inspected and certified, or if the inspection finds the building is not being maintained in good condition, the grant will be discontinued.

The Agreement will also run with the property and be binding on successive owners should the property be sold during the life of the Heritage Restoration Agreement. Registration on title will ensure that the existence of the Agreement is both known to and binding upon successive owners.

The Agreement should also specify that the property is insured for 100 per cent of replacement costs in the event of fire or natural disasters.

Administering the Programme: The Need for Simplicity

The Desirability of Paper Transactions:

It is of utmost importance for both the owner and civic staff that the heritage tax back grant programme be administered in a simple and straightforward manner. In discussing the operation of such programs in other municipalities, the greatest administrative difficulty seems to lie in the calculation of the rebate and transfers in payment. Where a municipality requires the payment of full taxes, the calculation of incremental assessments resulting from renovations and the subsequent issuance of a rebate cheque, several obstacles arise. For example, because the actual assessment lies with the Province, actual rebates cannot occur until provincial reassessment is completed. The payment of the full reassessment and issuance of the grant rebate cheques from the municipality require additional staff time, and result in delays and frustration for the property owners. Administrators of tax back grant programs suggest that these programs are best handled by paper transactions. Provincial officials have verified the desirability of paper tax credits and their informational literature states that: "In practice, no money changes hands" (Source: Architectural Conservation Notes, Note 12, September 1999, Ministry of Citizenship, Culture and Recreation).

The City Solicitor advises that the proposed practice of deducting the grant from the property taxes is not free from doubt and there are some legal issues relating thereto.

The Heritage Restoration Agreement should simply specify that the owner will receive a grant each year for the 10 years of the Agreement that is equal to the lesser of: the increase in the municipal portion of the property tax beyond that paid in the base year of the Agreement; or, one-tenth the agreed-to cost of the heritage restoration.

Restoration work not only may increase the value of the heritage building, but may also result in increased market value of buildings in the immediate area over time. It would be very difficult to apportion increased assessment and taxation directly due to renovations on-site and the increase in general market value in the immediate area. It is therefore suggested that the tax back grant be the equivalent of all incremental property tax increases outside of general tax increases and the impact of the cap removal.

The grant should ideally be reflected in the initial tax bill that the City would send out to the owner. Because of the limited number of Heritage Restoration Agreements, this system could be managed by civic staff.

Keeping the Administration Simple:

The initial step would be for the staff of The Toronto Preservation Board and the City Legal Services Division to draft a short by-law for submission to the appropriate Council Committee and Council to authorize the establishment of a Heritage Tax Back Grant programme.

Initially, the City would prepare a detailed brochure of criteria and procedures, together with application forms. Owners of designated heritage buildings would be informed of the establishment of the Heritage Tax Back Grant programme.

The application for participation in the tax back grant programme would be submitted to The Toronto Preservation Board accompanied by a detailed written conservation report that includes:

(i) legal address and registered ownership;

(ii) brief description of the condition of the building and site, and a description of the building's recent occupancy history;

(iii) an outline of the proposed project and work schedule;

(iv) estimated costs of all labour and materials, supported by two independent quotations;

(v) detailed drawings and/or specifications of the proposed work;

(vi) photographs of the affected area of the heritage building; and,

(vii) a brief description of the steps that will be taken to ensure future upkeep and repair of the structure and its heritage elements.

The Toronto Preservation Board staff would review the application and make a recommendation to the Board of The Toronto Preservation Board as to whether the application was acceptable and set out conditions to be included in a Heritage Restoration Agreement. There would be a basic 'boiler plate' form for these Agreements which would be drafted together with City Legal Staff, forwarded to Council for adoption, executed by the owner and registered.

A copy of the Agreement would be sent to the Revenue Services Division of the Finance Department, Buildings Division of Urban Development Services, The Toronto Preservation Board and the Ontario Provincial Assessment Commission by the City Solicitor. Staff of The Toronto Preservation Board and City Finance would calculate the annual grant for each property with a Heritage Restoration Agreement and ensure that the amount of the grant was discounted from the annual tax bill. The Toronto Preservation Board would send a reminder to the owners, in the fourth year of each Agreement, of the need for inspection and confirmation by a registered architect, in the fifth year of the agreement, that the building was being maintained in good condition and repair. The Toronto Preservation Board staff would review each inspection/confirmation and advise the Chief Financial Officer and City Solicitor that the report had been reviewed and the determination as to whether the tax rebate programme should be continued. At the end of ten years, The Toronto Preservation Board would request the City Solicitor to register or surrender or Termination Agreement against title and notify the Chief Financial Officer that the tax deferral period had expired for the property.

(C) Working Towards the Establishment of Heritage Tax Sub-Classes for the Heritage Portion of Designated Properties with a Heritage Easement Agreement:

What is the Concept of a Heritage Tax Class or Sub-Class?

The concept of a heritage tax class is to provide a single tax class for whole heritage buildings based upon a tax ratio established by the Minister when amending the necessary regulations. The new heritage tax class would result in lower taxes than the owners of many heritage buildings would otherwise pay. An example would be if Council decided to create a 'heritage tax class' that would assess all designated heritage buildings as though they were residential, regardless of the actual use. A tax ratio established by the Minister is the tax rate for the new class divided by the residential tax rate. Council would have the option of lowering the ratio but could not increase it.

The concept of a heritage tax subclass is to tax a heritage building with a particular use at a lower rate than other buildings with the same use. For example, a heritage building in the commercial tax class would be in a 'heritage commercial sub-class' and taxed at a prescribed lower rate than commercial buildings that were not heritage buildings.

The purpose of a heritage tax class or subclasses would be to encourage designation, maintenance and conservation of heritage buildings.

Does the Legal Authority Exist for Heritage Tax Classes or Subclasses?

Toronto does not currently have the authority to create a heritage property tax class or sub-classes for assessment purposes. The various classes for taxation purposes are prescribed by Ontario Regulation No. 282/98 pursuant to the Minister of Finance's authority to prescribe property classes under subsection 7(1) of the Assessment Act, and do not include a 'heritage' property class. The Minister of Finance must first amend the regulation before a separate 'heritage' property class can exist. Such a property class may either apply automatically to each municipality or could require that a municipality pass a by-law opting for the property class to apply within that municipality. There is no specified time limitation on a property class unless the Minister prescribes one, such as was done for the new multi-residential property class.

Under *Section 8(1) of the Assessment Act* the Minister of Finance can prescribe certain subclasses of property classes which are eligible for tax reductions. A good example is the current 'vacant land' subclass for industrial and commercial property classes, that reduces by 30-35 percent the taxes payable on vacant properties or portions of properties. An amendment to the Assessment Act would be required to allow the Minister to prescribe a heritage subclass or subclasses, and amendment to the Municipal Act would be needed to establish the amount of tax reduction for the sub-class or sub-classes.

Once the Province defines the property class or sub-class, the municipality cannot, by law, impose its own requirements. It is therefore very important that the City research in detail and make clear to the Province the type of class or sub-class that would meet the City's heritage objectives.

What are the Past Civic Resolutions/Actions Regarding the Establishment of a Heritage Tax Class or Sub-Classes?:

The concept of a special heritage tax class or sub-class is not new. The Council of Metropolitan Toronto, at its meeting on August 13 and 14, 1997 unanimously passed a resolution asking the Minister of Finance to add heritage buildings as a class under Section 7(2) of the Fair Municipal Finance Act, for separate consideration in setting mill rates. The current Council of the new City of Toronto has committed itself to continue this initiative. On May 1, 1998 Toronto City Council passed a resolution that: "City Council request the Province of Ontario to provide in its legislation and regulations for a separate class for heritage lands and buildings on the Assessment Roll. (Source: Motions to Clause 25 of Report 4A of the Strategic Policies and Priorities Committee, headed 'Property Assessment and Tax Policy System'). This resolution was forwarded by the City Clerk to the Minister of Finance.

On February 5, 1999, the Assessment and Tax Policy Task Force, responding to a request by Councillor Johnston, requested the Chief Financial Officer and Treasurer to report back to the Task Force on Councillor Johnston's recommendation that the Province be requested to add designated heritage properties as a separate tax class under Section 7(2) of the Assessment Act.

The Chief Financial Officer presented a well-researched report on the issue of heritage tax classes to the June 24, 1999 meeting of the Assessment and Tax Policy Task Force that recommended further research on heritage preservation incentives, including a new tax class/subclass that could be used in conjunction with, or in lieu of, property tax incentives, for heritage preservation in the City of Toronto. The Task Force requested that the Commissioner of Urban Development Services, in consultation with other civic officials, undertake this study.

What are the Costs and Benefits of Creating a Special Heritage Tax Class or Sub-Class for Properties Designated Under the *Ontario Heritage Act?*

In her report to the June 24, 1999 meeting of the Assessment and Tax Policy Task Force, the Chief Financial Officer examined the fiscal impact of a heritage tax class or sub-classes for designated heritage buildings. Assuming a program that dropped the 351 designated heritage buildings currently assessed as commercial or industrial into the lower residential assessment rate, the total annual cost to the city would be approximately 14.4 million dollars for the city portion of taxes alone. A program that created special heritage subclasses that reduced the assessment of every non-residential and residential designated heritage building would have an annual cost of 5.9 million dollars for the city portion.

Where there are significant costs to the taxpayers from a tax incentive program there must be very clearly defined, guaranteed and visible public benefits. This is particularly true if other classes of taxpayers are going to be paying for the incentive program through an increase in their own rate of taxation.

There is a group of private sector owners of heritage buildings who have already restored their buildings, and would therefore not benefit from a tax back grant for restoration. The high cost of maintaining and repairing their heritage buildings is being borne solely by the owners, without any public sector support. It is this group that is providing a clear public benefit and should be the target of any tax class programme.

A tax class or sub-class programme that includes all owners of designated heritage buildings is targeting too broadly. The city would be rewarding property-owners who have not restored their buildings or are not even maintaining their heritage buildings in a reasonable state of repair. The city would, in some cases, actually be giving a tax break to owners who have boarded up and turned off the heat in their heritage properties, intentionally letting them sink into a state of disrepair in anticipation of redevelopment. Because of the high cost to the city and the lack of genuine public benefit required of the recipient, we would recommend against any tax class or tax sub-class reduction that was applied to all owners of designated heritage buildings.

Narrowing the Focus: Considering Only Properties with a Heritage Easement Agreement:

Designating a property as being of historical or architectural value does not necessarily mean that the building will be maintained in good shape and provides no ultimate protection against demolition. Designation gives Council the legal authority to refuse permits for incompatible alterations and to delay, but not prevent, demolition.

However, there are 121 properties where the city and the owner have gone beyond the limited protection of designation and have entered into Heritage Easement Agreements under *Section 37(1) of the Ontario Heritage Act*. These Agreements, which are registered on title and binding on successive owners, require that the owner will maintain the building in good repair. Most of these Agreements allow the City to serve notice and require any neglect of the owner's obligations be rectified. The Agreements require the maintenance of the building in perpetuity, or for the life of the Agreement in some instances, and many allow the City to require restoration where unapproved demolition has occurred. In other words, these are the properties where future redevelopment has been sacrificed, and the owner is shouldering the high costs of good maintenance and repair.

On the surface, the cost of a tax class or sub-class incentive applied to 121 properties with Heritage Easement Agreements should be far less than such a program applied to all 1500 designated properties. The Chief Financial Officer in Table 2 of her report of June, 1999 found that a heritage sub-class tax reduction of 30 per cent on the City portion of taxes would result in an annual total cost of $2.96 million to the City as opposed to a cost of $5.9 million for a similar program applied to all designated heritage properties. The question must still be asked if there is sufficient public benefit to justify the cost of such a program.

Further Narrowing the Focus: Applying Tax Class or Sub-Class Incentives only to Whole Heritage Buildings on Properties with Heritage Easement Agreements:

A closer examination of the list of buildings with heritage easement agreements reveals some potential for further narrowing the scope and reducing the cost of a potential tax class or sub-class program. Many of the buildings with Heritage Easement Agreements are large downtown office buildings like Scotia Plaza or BCE Place, or entertainment venues like the Air Canada Centre. In these instances only a very small portion of the building is the subject of the heritage maintenance requirement for example, the post office facade murals on the exterior wall of the Air Canada Centre or some of the ground floor retail at Scotia Plaza. However, the initial calculations of the cost of the tax reduction were based on the total square footage and assessed taxes for the entire property. Typically where there are remnant heritage elements as part of large downtown buildings, the heritage preservation component was already a part of a comprehensive negotiation of public benefits, often in return for increased permitted density or height. Heritage preservation is proposed to be included among the public benefits to potentially be negotiated as part of a Section 37 agreement in return for additional height, density or change in permitted use.

Density bonus provisions also currently exist in the former City of Toronto Official Plan to reward developers of new buildings who conserve heritage buildings or portions of them. Restoration of heritage portions of comprehensive new developments would also be eligible for a heritage tax back grant programme for the heritage restoration component of the development.

The owners of new comprehensive developments that incorporate restored heritage elements are already usually being rewarded for their heritage restoration work.

The highest goal of heritage conservation work is to restore entire heritage buildings in their original location. Where the heritage conservation work is not part of any comprehensive redevelopment, there are no benefits of additional development permissions for the owners. Yet significantly higher maintenance and repair costs are still being borne by the owners on an ongoing basis. It is these entire heritage buildings in their original location that should be the focus of any municipal heritage tax class programme.

Staff are currently completing a database analysis of all existing Heritage Easement Agreements to differentiate between Agreements that cover facades, fragments or portions of heritage buildings, and Agreements where an entire heritage building has been restored in its original location. At this point it would be recommended that any new heritage tax class or sub-classes focus upon the designated heritage buildings subject to a Heritage Easement Agreement where an entire building is being conserved in its original location. Of course, this does not preclude internal renovations and modernization. Once the database analysis of existing heritage easement agreements is completed, it will be possible to calculate and report back on the fiscal implications of a heritage tax class or sub-classes applicable only to designated heritage buildings subject to a heritage easement agreement where a whole heritage building is being conserved in its original location.

This further report will also outline clearly the nature of the definition of the heritage tax class or sub-classes in future Provincial legislative and regulatory amendments that would best meet the heritage objectives of the City of Toronto. In the interim we are recommending that the Province begin to research and consider establishing heritage tax classes and sub-classes that Ontario municipalities would have the option to opt into.

The anticipated benefits of a tax class or sub-class programme that focussed upon a tax reduction for owners of whole heritage buildings restored in their original location that are subject to a heritage easement agreement, as is being researched by civic staff, would be:

(i) derivation of benefit only by those who have contracted with the City to conserve their building and maintain it in good repair and condition;

(ii) lower civic cost by focussing only upon a smaller number of whole heritage buildings conserved in situ; and,

(iii) encouraging individuals to enter into Heritage Easement Agreements with the City which include legal agreement not to demolish.

It has also become evident that, due to staff shortages, there has been no one actually inspecting buildings with Heritage Easement Agreements to ensure that the buildings are being maintained in good repair and condition. Should the coming staff report recommend a heritage tax class or sub-class program be established for the conservation of whole designated heritage buildings with heritage easement agreements, a suggested requirement would be that, in order to remain eligible for the tax reduction, every five years a registered architect with experience in heritage restoration be engaged to inspect the proper and ascertain whether it is being kept in good repair and condition. This report would outline any repairs that should be undertaken under the good maintenance and repair requirements of the Heritage Easement Agreement. Existing Heritage Easement Agreements may require amendments to include these more detailed maintenance requirements. Regulatory or legislative changes to permit a heritage tax class or sub-class could set out this inspection and reporting requirement.

Next Steps:

It is desirable to request the Minister of Finance to immediately begin to research and consider amendments to the Provincial regulations to allow municipalities to opt-in and implement a heritage tax class and amend legislation to permit municipalities to opt-in and use heritage sub-classes, regardless of whether the City of Toronto eventually chooses to follow this road. A majority of municipalities in Ontario have only a handful of designated heritage buildings, and should have the opportunity to use a tax class or sub-class tool to encourage their upkeep and maintenance. In the absence of real powers to prevent demolition, a tax reduction may prove to be a powerful tool to encourage restoration and maintenance. In framing the regulations and legislation, the Province would have to be explicit about whether the heritage tax class or sub-classes would apply only to the municipal portion of the property tax, or whether the Province wishes to partner in this endeavour with municipalities and apply the tax reduction to the education portion of the property tax for these heritage properties.

Staff will complete their review of existing Heritage Easement Agreements. Upon completion of this work, staff will consult with other appropriate departments and report back to the Task Force on the desirability and costs of a tax class or sub-class programme applicable to whole designated heritage buildings that are subject to Heritage Easement Agreements, and will make recommendation as to the desired nature and definition of a heritage tax class and sub-classes for the Province’s consideration. If timing permits, it would be desirable to have these civic recommendations form part of the recommendations of the Business Reference Group.

(D) The Impact of the Cap Upon Designated Heritage Buildings:

While many groups of property-owners benefited from the capping of tax changes on industrial and commercial buildings, the owners of designated heritage buildings have generally been prevented from realizing tax savings, by the 'clawing back' of a portion of the decrease. Current Value Assessment generally placed a lower assessment on heritage buildings that recognized higher costs of maintenance and constraints upon current and future uses. According to the report of the Chief Financial Officer dated June 24, 1999 to your Task Force, the 1526 designated heritage buildings in the City would have realized an overall 15.8 per cent tax decrease under full Current Value Assessment, but under capping the decrease was reduced to 2.76 per cent in 1998 and 7.6 per cent in 1999. The 323 designated heritage buildings in the commercial property class would have realized a property tax decrease of 18.6 per cent under full Current Value Assessment, but under capping the decrease was reduced to 2.85 per cent in 1998 and 8.28 per cent in 1999.

It is unfortunate that owners of designated heritage buildings not only shoulder the higher costs of maintenance and constraints on use, but do not benefit from the CVA tax system that would have lowered property taxes in response...were it not for the cap and clawback mechanisms. Any consideration of tax programs beyond the expiry of the capping scheme in 2001 should ensure that the full decrease in taxes provided for commercial and industrial heritage properties under CVA is realized. Again this position should be forwarded to the Business Reference Group to be part of their overall consideration of the post-cap universe.

(E) Priority Processing for Applications Involving Heritage Restoration:

The staff and community members working on the heritage policies for the new Official Plan are considering a variety of non-fiscal incentives to encourage the restoration and conservation of Heritage buildings. One practice that could be implemented quickly, at no cost to the city, is a policy that applications for Official Plan Amendments, Zoning By-law Amendments, Site Plan Agreements or simply Building Permits that involve significant heritage restoration and conservation will move to the 'front of the line' and be processed as a priority by all commenting departments. Where these applications are to undergo a public consultation process under City practices and the Planning Act, these consultations will take place on the normal timetable.

If 'time is money', and it frequently is in the development industry, this would be a genuine incentive for heritage restoration. For those property-owners trying to decide whether to demolish or restore a heritage property, the City would offer priority processing for restoration and the delays available to the City under current legislation for proposed demolition.

(F) Extending Heritage Demolition Controls to the Entire City:

In 1987 the former City of Toronto obtained special legislation that restricted the owner of a designated heritage building from demolishing it unless the owner had first obtained a building permit to erect a replacement building. This legislation ensured that heritage buildings were not being demolished for surface parking lots, or to remove an obstacle to future redevelopment of the site. The legislation proved to be a useful tool in negotiating retention of designated heritage buildings, or portions of them. In 1995, the former City of Scarborough obtained similar powers through special Provincial legislation. These powers are not currently available to the City when dealing with demolition applications in the former cities of North York, Etobicoke, York and East York.

While other heritage policies are being developed as part of both the new Official Plan and Heritage Master Plan, it is worth requesting the Province for legislation to extend these powers to the entire area of the new City immediately, as Provincial Amendments would be required and may take time to work their way through the legislative agenda. We are therefore recommending that this recommendation be forwarded to Council to instruct the City Solicitor to seek these heritage demolition control powers on a city-wide basis.

Recommendations for Federal Government Action:

There are currently no ongoing funding or tax incentive programmes for heritage conservation and restoration at a Federal government level in Canada. From time to time grant programmes or individual grants occur. It is difficult to quantify heritage grant programmes as most are part of larger regional economic development programmes. It would appear, however, that Southern Ontario is the only region of the country without such a regional economic development programme. There have been recent announcements from the Deputy Prime Minister that indicate the Federal Government is now actively considering a tax incentive programme for heritage conservation.

There are hundreds of municipal and provincial heritage incentive programmes in force across Canada. Often these lack sufficient financial impact to operate effectively on their own. We are suggesting that the Federal government be invited to become a true partner in the field of heritage preservation through a series of long-term creative incentive programmes that are commonplace in other nations.

(G) A National Tax Credit Incentive Programme for Restoration of Designated Heritage Buildings:

The Example of the U.S. Federal Tax Incentive Program:

The American Federal Historic Preservation Tax Incentive Program is one of the U.S. Federal government's most successful and cost-effective community revitalization programmes. Since 1976 the program has been jointly administered by a partnership of the National Park Service, the Internal Revenue Service and State Historic Preservation Offices. According to literature from the U.S. Department of the Interior:

"The tax incentives have spurred the rehabilitation of historic structures of every period, size style and type. They have been instrumental in preserving the historic places that give cities, towns and rural areas their special character. They also generate jobs, enhance property values and augment revenues for state and local governments through increased property, business and income taxes."

The programme offers a 20 percent tax credit for the rehabilitation of certified historic structures. A tax credit is more powerful than an income tax deduction. An income tax deduction lowers the amount of income subject to taxation. A tax credit is subtracted directly from the calculation of taxes owed. To be eligible, a building must be approved to be on the National Register of historic buildings and the alterations cannot alter the key heritage elements of the building that underlie the heritage designation. If a non-residential building constructed before 1936 is not on the National Register of heritage buildings, the owner is still eligible to apply for, and receive, a 10 percent rehabilitation tax credit. The two tax credit programmes are mutually exclusive, with the heritage quality of the building determining which programme is applicable.

The Potential for a Canadian Federal Tax Credit Programme:

A federal government tax credit programme for the restoration of heritage buildings would clearly be a more powerful tool than any a municipality could offer. Heritage Canada Foundation officials estimate that there are perhaps 15,000 to 16,000 designated heritage buildings nation-wide, with a potential for perhaps 13,000 additional designations in the future. Even if there was a population of 20,000 heritage buildings eligible for a heritage restoration income tax credit, that amounts to less than two percent of the surviving 1.2 million buildings constructed in Canada before 1940. Heritage buildings are not restored en masse in Canada every year, and many have already been rehabilitated. Even if 5 per cent of heritage buildings were to undergo substantial renovations every year, that would amount to only 1000 tax credits per year nation-wide. If a tax credit were capped at $50,000.00, this would amount to a maximum expenditure cap of $50 million dollars per year. Given the breadth of the federal tax base, and the current and projected budget surplus, such a tax credit programme would have a relatively minor fiscal impact.

Tax deductions and credits are a common tool of the federal government to further public policy objectives: investment in Canadian corporations, investment in child care, advancement of education and research and development, savings for retirement, caring for disabled persons etc. A tax credit for heritage restoration would signal to Canadians from coast to coast, in a concrete and meaningful manner, that our national government cares about our national heritage.

(H) Exempting Goods, Material and Labour Spent on Restoration of Heritage Buildings from The G.S.T.:

The Goods and Services Tax, in combination with the Provincial Sales Tax, contributes up to an additional 15 per cent to the cost of labour, goods and materials for heritage restoration and is a disincentive for an activity that provides an acknowledged public benefit in itself, as well as creating very high direct job spin-offs. This is a large cost factor that could tip the scales when an owner is deciding whether or not to proceed with restoration of a heritage building.

As it now appears that the GST is not to be repealed in the immediate future, it could at least be removed from key activities, such as conservation of our national built heritage, that the government is seeking to promote. It is time to approach the federal government and request that the GST rebate be created for expenditures on goods, materials and labour involved in the restoration of designated heritage buildings. Given the limited number of potentially eligible restorations of designated heritage buildings each year, the size of the national tax base, and the current federal surplus, this measure would have a very marginal impact on national revenues. But the potential for encouraging the restoration of our national built heritage is very significant.far more significant than temporary grant programmes that appear and disappear over the years.

Recommendations For Provincial Government Action:

There are currently no ongoing Provincial fiscal incentive programmes to encourage heritage restoration in the Province of Ontario. The Provincial legislature is currently considering Bill 14, legislation that includes a provision to permit owners of qualifying heritage properties a provincial sales tax rebate of up to $3,000.00 for ‘tax paid on tangible personal property that is incorporated into real property in connection with an eligible project for the conservation or restoration of the qualifying heritage property’. The rebate programme will apply to purchases made between May 4, 1999 and December 31, 2000. The Minister also announced her intention to seek a $10 million heritage grant programme, which has yet to be finalized. It is unknown how much of this fund would be dedicated to the restoration of privately owned heritage buildings.

We are recommending that the Province become a partner with the private sector in the field of heritage restoration by creating longer-term incentive programmes that, combined with suggested municipal and federal initiatives, could provide a powerful incentive to the private sector for the conservation of our remaining built heritage in the Province of Ontario.

(I) A Provincial Tax Credit Programme for Restoration of Designated Heritage Buildings:

The Example of State Tax Credit Programmes in the U.S.A.:

In addition to the tax credit incentive programme for heritage restoration operated by the U.S. Federal Government, fourteen states supplement the federal efforts with their own state heritage tax credit programmes. The tax credit varies from 10 to 50 per cent of the total cost of the rehabilitation, with 20 or 25 percent being the most common figure. The caps for individual projects in these programmes range from $50,000.00 to $500,000.00 Where a restoration project is receiving the federal 20 percent tax credit, some states simply top this up by 5 percent to create a 25 percent tax credit.

The Potential of an Ontario Tax Credit Programme for Heritage Restoration:

The Government of Ontario has been seeking means of entering into partnerships with the private sector to repair and restore our provincial infrastructure. Just as roads and bridges require repair and restoration, so too do our heritage buildings that are largely in private ownership. A tax credit programme is a proven effective means of working with private stewards of our precious heritage buildings to achieve their rehabilitation and conservation. Given the limited universe of designated heritage buildings and gradual restoration of existing stock, the fiscal impact of a provincial tax credit programme for heritage restoration would be small in any single year. Just as the Province of Ontario is committed to cutting taxes in pursuit of stimulating economic activity, the granting of tax credits for restoration of heritage buildings is targeted at an activity that has proven direct job growth spin-offs. This type of Program would also stimulate heritage restoration work in smaller municipalities that cannot afford their own heritage incentive initiatives.

(J) A Provincial Sales Tax Rebate for Heritage Restoration Work:

The 20-month programme of provincial sales tax rebate for heritage restoration being introduced under Bill 14 is an initiative that is welcomed and appreciated by the heritage community in this Province.

However, because of the gradual take-up of heritage restoration programmes, and the limited number of expert restoration architects and crafts persons, it is important that a provincial sales tax rebate programme be a longer-term programme, and not a 20 month window of opportunity. It is also important that a rebate programme not have a very low cap, which undermines any effectiveness as an incentive. A sales tax rebate programme that has a cap of $3,000.00 would scarcely pay for a pair of special order windows for a heritage building, and would not constitute an effective heritage conservation initiative. Given the limited universe of heritage buildings in this Province, the high costs of rehabilitating a heritage building in an authentic and sensitive manner, and the need for partnering with private sector stewards of our public heritage, it is important to rebate the entire 7 percent sales tax on goods, material and labour expended in the rehabilitation of designated heritage buildings.

(K) Partnering with Municipalities on a Tax Back Grants:

Currently, the Ontario Heritage Act allows a municipality to create a tax back grant programme to temporarily offset the incremental taxes that most often accompany the rehabilitation of a heritage building. However, as a portion of the municipal property tax goes to the Province to be pooled for the education purposes, a municipality can only offset some of the increased assessment and taxation that results from heritage restoration work. On its own, a municipality in Ontario can mitigate, but not entirely offset the disincentive that our taxation system places upon heritage restoration work. It is therefore important that the Province consider becoming a partner with municipalities in tax back grant programmes.

The direct job creation and indirect economic spin-offs of heritage restoration work creates wealth and taxes immediately, and the increased assessment from restoration work enriches municipal and provincial coffers at the end of the incremental tax deferral period. The incentive power of all municipal tax back grant programmes would be bolstered by Provincial participation as an active partner.

(L) Inclusion of Heritage Conservation in the "Superbuild Growth Fund" Infrastructure Program:

In August, 1999 Kitchener City Council endowed a resolution to request that the restoration and conservation of heritage structures be included in the 'Superbuild Growth Fund' infrastructure program. To date, the Province has announced that the 'Superbuild Growth Fund' will be used to renew Ontario's network of hospitals, high-tech links, highways, schools, universities and colleges. The City of Kitchener is requesting that municipalities also have the option of applying for funding to restore public heritage buildings.

Many of the most beloved heritage buildings in Toronto are public buildings such as Union Station or the Old City Hall. Some of Toronto's public heritage buildings are in need of renovations to restore heritage elements, improved mechanical infrastructure or adapt to new or expanded uses. The Kitchener resolution is being considered by the Provincial Government and Toronto should endorse this action.

(M) Other Recommended Amendments to Provincial Legislation and Regulations:

This report already recommends requesting the Minister of Finance to consider amendments to Provincial regulations and legislation to create a separate property class and sub-classes for heritage buildings. The regulatory framework for heritage tax classes and sub-classes should be structured in a manner that allowed municipalities to opt in should they wish to do so.

Also previously recommended in this report is a request to the Province to extend to the entire new City of Toronto demolition controls on heritage buildings, currently applicable only to the former cities of Scarborough and Toronto, that allows the City to require the issuance of a building permit for a new building prior to approval of demolition.

(A copy of the communication dated January 12, 2000, from Mr. Michael McClelland, E.R.A. Architects Inc., referred to in the communication dated January 31, 2000, from the City Clerk was forwarded to all Members of Council with the February 17, 2000, agenda of the Policy and Finance Committee and a copy thereof is also on file in the office of the City Clerk).

The Policy and Finance Committee reports, for the information of Council, having also had before it the following communications:

(i) (February 2, 2000) from the Executive Director, Heritage Canada Foundation, expressing support of the recommendations of the Assessment and Tax Policy Task Force respecting the report (December 12, 1999) from the Acting Commissioner of Urban Development Services, entitled “Municipal, Provincial And Federal Tax Incentives For Heritage Conservation” and stating that he would be happy to appear before the Policy and Finance Committee to assist the Committee in its consideration of this matter;

(ii) (February 11, 2000) from Mr. Sheldon Godfrey, Barrister and Solicitor, urging the Committee to approve the recommendations of the Assessment and Tax Policy Task Force respecting Municipal, Provincial and Federal Tax Incentives for Heritage Conservation;

(iii) (February 14, 2000) from Mr. Scott James, Heritage Strategies, expressing strong support for the series of recommendations from the Assessment and Tax Policy Task Force respecting Municipal, Provincial and Federal Tax Incentives for Heritage Conservation;

(iv) (February 15, 2000) from Mr. Allan Gotlieb, Chairman, Ontario Heritage Foundation, expressing support for the recommendations of the Assessment and Tax Policy Task Force and applauding the action of the Assessment and Tax Policy Task Force in adopting the recommendations set out in the staff report;

(v) (February 16, 2000) from Ms. Judith Forrestal, Site Office Manager, Citizens for the Old Town, on behalf of a community group dedicated to historical preservation and economic development in the Old Town of York, expressing support for the recommendations of the Assessment and Tax Policy Task Force as these recommendations represent crucial steps in stimulating the restoration of what remains of Toronto’s heritage buildings;

(vi) (February 14, 2000) from Mr. John Ridout, President, and Ms. Louise Bridge, Secretary, Town of York Historical Society, advising that the Board of Directors of the Town of York Historical Society on February 14, 2000, unanimously decided to strongly urge the Policy and Finance Committee to adopt the recommendations of the Assessment and Tax Policy Task Force and commending staff and the Task Force for these remarkable recommendations;

(vii) (February 16, 2000) from Mr. Robert E. Saunders, President, Community Heritage Ontario, expressing support for the recommendations of the Assessment and Tax Policy Task Force and applauding the efforts of the City of Toronto to obtain a tax regime at all levels of government which is supportive of the preservation of our heritage;

(viii) (February 15, 2000) from Mr. Gene Domagala, President, Beach Heritage Association, advising that the Association fully endorses and support the recommendations of the Assessment and Tax Policy Task Force; and

(ix) (February 15, 2000) from Mr. David Walsh, President, Harbourtown Heritage Group, urging the Policy and Finance Committee to support the recommendations of the Assessment and Tax Policy Task Force since the current tax system makes it difficult to undertake major work to preserve historic structures.

The following persons appeared before the Policy and Finance Committee in connection with the foregoing matter:

- Mr. Terry Russell;

- Mr. William Greer, The Toronto Preservation Board;

- Mr. Robert Leverty, The Ontario Historical Society, and filed a written submission in regard thereto;

- Mr. Stephen A. Otto;

- Mr. Alex Grenzebach, North York LACAC; and

- Mr. Michael McClelland, OAA, RAIC, E.R.A. Architects Inc.,and filed a written submission in regard thereto; and

- Ms. Catherine Nasmith, Chair, Toronto Preservation Board.

The following Members of Council also appeared before the Policy and Finance Committee in connection with the foregoing matter:

- Councillor John Adams, Midtown; and

- Councillor Ila Bossons, Midtown.

The Policy and Finance Committee reports, for the information of Council, having also had before it a communication (February 17, 2000) from Councillor Anne Johnston, North Toronto, advising that she was unable to attend the meeting due to conflicting meetings and requesting that the Policy and Finance Committee request staff to report on a tax credit, in consideration of a Heritage Tax Back Grant Programme.