



STAFF REPORT ACTION REQUIRED

Toronto Heritage Property Tax Rebate Program: Payment of Rebates for 2010, 2011 and 2012 Tax Years

Date:	May 28, 2013
To:	Toronto Preservation Board Planning and Growth Management Committee
From:	Chief Planner and Executive Director, City Planning Division
Wards:	All
Reference Number:	P:\2013\Cluster B\PLN\PGMC\PG13043

SUMMARY

This report recommends that the applications for heritage property tax rebates received in 2011, 2012 and 2013 for the tax years 2010, 2011 and 2012 be processed in accordance with this report. The report also recommends that staff bring forward a report in the 4th quarter of 2013 on changes to the Heritage Property Tax Rebate Program to be implemented in 2014 for the tax year 2013 and subsequent years.

In accordance with Council's decision in June 2010, the processing of applications received in February 2011 (for 2010 taxes paid) and subsequent years was postponed pending a further report from staff on a review of the Heritage Property Tax Rebate Program. Applications received in February 2012 for the 2011 tax year and February 2013 for the 2012 tax year will be processed concurrently with the 2011 applications upon the approval of this report.

RECOMMENDATIONS

The City Planning Division recommends that:

1. City Council direct staff to process heritage tax rebate applications received in 2011, 2012 and 2013 for the tax years 2010, 2011 and 2012, in accordance with Chapter 103, Article VII of the Municipal Code;

2. City Council direct staff in consultation with the Municipal Property Assessment Corporation, to calculate rebates for the tax years 2010, 2011 and 2012 in the same manner as for the tax years 2008 and 2009 including that:
 - a. The rebate shall be 40% of the annual property taxes that are attributable to the portion of the building or structure that is identified in the Heritage Easement Agreement as the heritage attributes, elements or features;
 - b. Despite recommendation 2a, the maximum amount of the heritage tax reduction to be paid for an individual property is \$500,000 annually;
3. City Council direct that the rebate amount calculated by City staff in consultation with the Municipal Property Assessment Corporation is final;
4. City Council direct staff to require applicants to provide an acknowledgement in writing that they have maintained the heritage attributes, elements or features in accordance with the Heritage Easement Agreement and that they accept the rebate amount in full satisfaction of their rebate application for the applicable year;
5. The total annual costs of the municipal portion of rebates provided for the 2010, 2011 and 2012 tax years shall not exceed \$2 million in each year;
6. City Council direct staff to report back in the 4th quarter of 2013 on changes to the Heritage Property Tax Rebate Program to be implemented in 2014 for the tax year 2013 and subsequent years, separate from the processing of rebates for the 2010, 2011 and 2012 tax years recommended in this report, notwithstanding its decision of June 8 and 9, 2010 that these two items be concurrent; and
7. The City Solicitor be authorized to introduce the necessary bill in Council to give effect to these recommendations.

Financial Impact

There is no new financial impact as a result of this report. The Heritage Property Tax Rebate Program is funded jointly by the City and by the Province through its share of education taxes. To date, the City contributes approximately 54% and the Province contributes 46% towards the rebates. The City's budget for heritage tax rebates for the 2006 tax year was \$718,300.00. When the program was expanded for the 2008 tax year the budget was increased to \$3.5 million. For the municipal portion of tax rebates on taxes paid in 2010, 2011 and 2012 the budget has been reduced to \$2 million per year. This meets current demand but does not permit program growth.

DECISION HISTORY

At its meeting of July 25, 26 and 27, 2006 City Council adopted the recommendation to implement the Heritage Property Tax Rebate Program.

<http://www.toronto.ca/legdocs/mmis/2007/bu/bgrd/backgroundfile-2714.pdf>

At its meeting of June 8, 2010 City Council approved the postponement of the program and the processing of applications received in February 2011 under the Heritage Property Tax Rebate Program until a review of the first two years of the program operating at full availability had been reported to Council.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.PG38.8>

There was a delay in reporting while the City responded to litigation commenced by a property owner regarding the program. The City was successful in responding to the litigation.

ISSUE BACKGROUND

Section 334 of the *City of Toronto Act* provides the legislative authority for the City to establish a program to provide tax refunds or reductions to eligible heritage properties. This is a cost-shared program with the provincial government which is administered by the City. The City's program offers property tax rebates on designated properties that are subject to a Heritage Easement Agreement (HEA) approved by Council on or before September 30, 2006 which is registered on title and that complies with other eligibility criteria. National Historic Sites are eligible regardless of the HEA approval date. Approximately 225 properties are currently eligible for this rebate. The rebate amount is 40% of the annual taxes attributable to the portion of the building identified in the Heritage Easement Agreement as the heritage attributes, elements or features.

Program Purpose

The purpose of the program is to provide incentives to heritage property owners to maintain their properties in a good state of repair. Heritage is a public benefit that also increases tourism and improves neighbourhood character. However, the cost of maintaining historic properties can sometimes be greater because specialized trades and materials may be required.

The Policy and Finance and Economic Development and Parks Joint Committee Report "Enhancing Toronto's Business Climate – It's Everybody's Business" (considered by City Council on October 26, 27, 28 and 31, 2005) concluded that a tax rebate should be offered in recognition of both the contribution of heritage properties to the City and the increased cost born by heritage property owners.

Implementation History

The City of Toronto's Heritage Property Tax Rebate Program was given conditional City Council approval in February 2002 but was not implemented until final Council approval was received in July 2006. Heritage Preservation Services (HPS) with Revenue Services and the Municipal Property Assessment Corporation ("MPAC") have been operating the program since the first applications were submitted in 2007 (for taxes paid in 2006). For the first two tax years (2006 and 2007) only National Historic Sites with HEAs were

eligible to apply. In 2009 eligibility was expanded to include all properties with HEAs approved by Council on or before September 30, 2006. The program was subject to a review following the processing of applications received in 2009 and 2010.

COMMENTS

Since the Heritage Property Tax Rebate Program was implemented in 2007, applications for 50 properties have been received. Of these, six National Historic Sites with HEAs have applied. Below are staff's comments on the program to date.

Current Status

For taxes paid in the years 2006 to 2009, approximately \$6,100,000 has been paid out in Heritage Property Tax rebates. Of this total, it is estimated that the City contributed \$3,300,000. The Province, through its education taxes, contributed \$2,800,000. Applications submitted in 2011, 2012 and 2013 are currently on hold awaiting the approval of this report. Applications have been submitted by applicants on the assumption that the same terms for the rebate will apply to these years. City staff recommend that these outstanding applications be processed and that changes to the program be implemented later this year to take effect in 2014 for the tax year 2013. It is not feasible to implement changes to the program for these earlier tax years as applications must be submitted by the end of February in the following year for which the rebate is sought.

Gross rebates for the 2010, 2011 and 2012 tax years are estimated by Heritage Preservation Services as set out in the table below. However, these estimates will be subject to adjustment upon calculation of net rebates as determined by Revenue Services.

Tax Year	Estimated Provincial Portion	Estimated Municipal Portion	Estimated Total Gross Rebates
2010	\$1,024,401	\$1,227,030	\$2,251,431
2011	\$1,196,379	\$1,433,025	\$2,629,404
2012	\$1,295,400	\$1,551,633	\$2,847,032

Future Years and Revisions to the Program

Currently 225 properties are eligible to apply for a rebate under the Heritage Property Tax Rebate Program. Between October 1, 2006 and December 31, 2012, 28 new Heritage Easement Agreements have been signed. These properties are not currently eligible as the current program only applies to properties with an HEA approved before September 30, 2006. Later this year staff will report on recommended changes to the program to take effect in 2014 for the 2013 tax year that will expand the eligibility criteria to include properties protected by HEAs in subsequent years as budget levels permit. In addition, staff will look at making changes to other eligibility criteria including the possibility that rebate amounts will be more directly linked to the cost of maintaining and conserving heritage buildings.

CONCLUSION

For the reasons set out herein, staff recommend that applications to the Heritage Property Tax Rebate Program received in 2011, 2012 and 2013 be processed on the terms set out in the recommendations of this report. Staff also recommend that before the end of 2013 a report be prepared for Council that proposes changes to the program, to be implemented in 2014 for the 2013 tax year and subsequent years.

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SIGNATURE

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