

BYLAW 20091 - TAX EXEMPTION BYLAW FOR NON-RESIDENTIAL HERITAGE PROPERTIES

RECOMMENDATION

That Urban Planning Committee recommend to City Council:

That Bylaw 20091 be given the appropriate readings.

Purpose

To provide incentive to designate non-residential heritage properties as Municipal Historic Resources pursuant to the provisions of the *Historical Resources Act*, RSA 2000, cH-9, and encourage investment in these properties, by exempting them from any increase in municipal property tax for a period of ten years to a maximum of \$50,000 annually.

Readings

Bylaw 20091 is ready for three readings.

A majority vote of City Council on all three readings is required for passage.

If Council wishes to give three readings during a single meeting, then prior to moving third reading, Council must unanimously agree “That Bylaw 20091 be considered for third reading.”

Position of Administration

Administration supports this Bylaw.

Report Summary

This bylaw implements tax exemptions to provide incentive for the designation of non-residential heritage properties as Municipal Historic Resources and encourage investment in them.

REPORT

Heritage properties contribute to attractive, meaningful urban places that enhance quality of life and contribute to vibrant local economies. The City Plan provides direction to encourage the preservation of heritage properties even as the city grows and evolves in response to new demands and opportunities. City Policy C450B, Policy to Encourage the Designation and Rehabilitation of Historic Resources in Edmonton, implements this objective by encouraging the

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retention, rehabilitation and legal protection of heritage properties through the provision of a variety of incentives.

In 2019, the provincial government amended the *Municipal Government Act* to enable municipalities to offer tax incentives for non-residential properties. Section 364.2 of the Act now allows Council to grant full or partial tax deferrals or exemptions to non-residential properties for up to 15 years to encourage the development and revitalization of properties. While these new powers were not necessarily intended to support the preservation of heritage properties, they may be utilized for that purpose.

Options to explore the use of these new powers were outlined in the May 10, 2021 Financial and Corporate Services report FCS00133 Non-Residential Heritage Properties - Tax Exemptions/Deferral Options and the January 18, 2022 Financial and Corporate Services report FCS00645 Financial Incentive Options for Non-Residential Heritage Properties, including a draft Heritage Designation Tax Exemption Bylaw.

Upon passage of this bylaw, non-residential heritage properties that are designated as Municipal Historic Resources will be eligible for an exemption from increases in non-residential municipal property tax for a ten year period following the designation.

In order to qualify for the exemption, the property owner will be required to commit to investing a minimum of \$100,000 in the rehabilitation of the Municipal Historic Resource. The exemption will only apply to those portions of the property that are deemed to be non-residential and will be limited in value to \$50,000 per year. The exemption will be in addition to any municipal or provincial grants provided to the property owner to support the rehabilitation of the Municipal Historic Resource.

Currently non-residential properties are eligible for a one-time, municipally funded rehabilitation grant of up to 50 per cent of eligible rehabilitation and restoration costs to a maximum of \$500,000 as incentive for consenting to the designation of their property as a Municipal Historic Resource. In addition, the Province provides grants that are available on an annual basis of up to 50 per cent of eligible rehabilitation and restoration costs to a maximum of \$50,000 for Municipal Historic Resources and \$100,000 for Municipal Historic Resources that are also designated as Provincial Historic Resources. The Province's program receives many applicants and due to this, successful applicants are often granted much less than they are eligible for.

Once the exemption is granted, it cannot be removed before the expiry date as long as the property continues to meet the criteria within the bylaw, even if the bylaw is repealed.

COMMUNITY INSIGHTS

FCS00133 Non-Residential Heritage Properties Tax Exemption/Deferral Options and CR_7701 Financial Mechanisms for Heritage Buildings, which preceded this report, were informed by informal engagement with heritage developers. Heritage developers primarily indicated that the City's direct grant program is fundamental to encouraging their participation in the designation

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program and contributing to the economic viability of heritage rehabilitation projects. Tax incentives that supplemented the grant program were viewed favorably and reiterated the City's heritage preservation priorities to industry.

Budget/Financial Implications

This program would not require dedicated funding since tax exemptions are not expenditures. Property tax exemptions place upward pressure on tax rates since all other taxable properties must contribute more toward the annual City budget.

The financial impact of this bylaw will depend on the number and scope of eligible applications. Administration estimates that three to five properties may successfully apply each year. Property tax information on commercial heritage properties over the past ten years has been reviewed in an effort to estimate the financial impact. Since 2011, the average annual uplift on six designated properties ranged from \$1,000 to \$3,300,000 in municipal property taxes. Since the value of the exemption is capped at \$50,000 per year per property, granting exemptions to five properties would have a maximum financial impact of \$250,000, though it is unlikely that all properties will reach the cap.

These types of discretionary exemptions require manual calculations and system overrides to be administered each year. The small number of properties expected to participate in this program means the costs can be absorbed in current budgets. However, these costs will accumulate and may require additional administrative resources if there are more eligible properties than anticipated.

Legal Implications

Section 364.2 allows Council, by bylaw, to exempt non-residential properties for the purpose of encouraging development or revitalization for a period of up to 15 years. This provision also requires an appeal to City Council when a decision is made to deny a new exemption or repeal an existing exemption.

ATTACHMENT

1. Bylaw 20091: Heritage Designation Tax Exemption Bylaw

OTHERS REVIEWING THIS REPORT

- M. Plouffe, City Solicitor