



HC 92.2

COMMUNITY DEVELOPMENT and LEISURE SERVICES DEPARTMENT
CITY PLANNING DIVISION

DATE: February 26, 1998 COMMITTEE OF THE WHOLE REPORT
TO: Mayor Cross and Members of Council
FROM: Len Vopnfjord, Director, Community Development & Leisure Services
SUBJECT: Property Tax Incentives for Residential Conversion of
Downtown Heritage Buildings

1.0 Executive Summary

The 1997 Corporate Strategic Plan identifies as one of its key goals for the downtown core: "To develop a vibrant and healthy downtown core, which supports residential, business and leisure activities." It is therefore proposed that the City offer a tax incentive to assist the owners of downtown heritage buildings to convert under utilized or vacant upper storey space to residential use. Such conversions will assist the rehabilitation and preservation of Victoria's significant collection of turn of the century heritage commercial buildings concentrated in Old Town. It will also provide new uses for buildings, which have been affected by the recent withdrawal of government office tenants by the British Columbia Buildings Corporation. Residential use downtown will provide other desirable public policy benefits such as counteracting urban sprawl, increasing public safety downtown and making more efficient use of public infrastructure and services. Previous studies of the economics of building rehabilitation, such as the 1992 Downtown Heritage Building Housing Study, have demonstrated that public incentives are often required to make residential conversion give property owners an adequate economic return on equity.

In order to provide a simple and efficient mechanism to administer the program, the amount of the tax incentive will be a tax exemption from 1 to 10 years based on the cost of seismic upgrading required for the building. Previous studies have shown these costs to be between 21% to 35% of the total project costs. The program will be administered in cooperation with the Victoria Civic Heritage Trust.

2.0 Staff Recommendation

- 1) That City Council approve the Policy for Tax Incentives for Residential Conversion of Downtown Heritage Buildings.
- 2) That appropriate City staff be authorized to begin implementation of the program in cooperation with the Victoria Civic Heritage trust and in accordance with the attached program conditions.

Respectfully submitted,

D. Atkinson, for

Len Vopnfjord, Director
Community Development &
Leisure Services

Steve Barber

Steve Barber, Heritage Planner
Community Development &
Leisure Services

3.0 Program Conditions

1. The property must be a Municipally Designated Heritage site pursuant to Section 967 of the Municipal Act, or subject to a covenant under Section 219 of the Land Title Act that relates to the conservation of heritage property.
2. Assistance will be provided to owners of taxable property in the form of a property tax exemption to a maximum of 10 years as approved by Victoria City Council in accordance with Section 342 of the Municipal Act (exemptions for heritage properties). The amount of tax relief will be equivalent to the cost of seismic up grading required for the project.
3. Projects eligible for a tax incentive must involve the conversion of under utilized or vacant upper floors to residential use. Significant upgrading of existing residential buildings will also be considered.
4. No abatement of outstanding or current taxes will be provided.
5. Heritage Designated buildings applying for a tax incentive will continue to be eligible for the Building Incentive Program grants available from the Victoria Civic Heritage Trust.
6. City Council approval of the tax exemption must occur prior to the commencement of any work on the proposed project.
7. For residential conversions of heritage buildings for condominium ownership, a special agreement will be negotiated with the owner regarding the beneficiary of the property tax incentive.
8. The tax exemption amount received by the owner will be repaid to the City if the Heritage Designated building is destroyed or altered without proper authorization under the requirements of the heritage protection of the property (other than by a natural disaster), or if the designation bylaw is rescinded by Council at the request of the owner. (this condition will be subject to the owner's agreement).
9. The Finance Department will monitor and track the program in order to report to Council the total value of tax exemptions for residential conversions on an annual basis.
10. Projects will be reviewed by the Victoria Civic Heritage Trust for their recommendations prior to consideration by City Council.
11. Section 342 of the Municipal Act, "Exemptions for Heritage Properties" requires an approval bylaw for the tax exemption by at least 2/3 of votes cast and, for exemptions for more than one year, prior public notification 30 days before adoption of the bylaw.
12. The applicant will be required to provide projected construction costs including separate seismic upgrading costs certified by an architect and contractor.
13. In addition to the Property Tax Exemption Bylaw, the City Solicitor will prepare a legal agreement between the City and the property owner, specifying the conditions for the rehabilitation project.

**DOWNTOWN PROPERTY TAX INCENTIVES
FROM RESIDENTIAL CONVERSIONS OF HERITAGE BUILDINGS**

PROPOSED APPROVAL PROCESS

<u>Organization</u>	<u>Task</u>
City of Victoria Staff	Application received and reviewed by City Staff
Victoria Civic Heritage Trust	Application of property owner reviewed by Victoria Civic Heritage Trust
City of Victoria Council	Committee of the Whole Approval in Principle
City of Victoria Staff	City Solicitor/Draft Bylaw/Legal Agreement
City of Victoria Council	City Council Final Approval (requires 2/3 majority)

4.0 Background/Discussion

The results of a feasibility study by Clayton Research on the above subject were presented to Committee of the Whole on September 21, 1995. Subsequently, on September 28, 1995 Council adopted the following motion:

- (1) *The Final Draft Report relating to the Property Tax Incentive prepared by Clayton Research Associates, and as outlined in the memorandum dated September 15, 1995 from the Heritage Advisory Committee, be received as submitted for information.*
- (2) *The implementation of a tax incentive policy be approved in principle.*
- (3) *The Planning Department be requested to include the development of a detailed program and procedures for implementation as part of its 1996 work program.*
- (4) *The City write the Provincial Government urging it to continue with the study which had been commenced under Seismic Hazard Mitigation Project relating to relaxation of seismic upgrading requirements for heritage buildings.*
- (5) *The Final Draft Report also be referred to the Housing Advisory Committee for consideration.*

Staff reassignment in the Planning Division precluded further work on this policy until this time.

An analysis of past public incentives for heritage buildings provided through the Building Incentive Program of the Victoria Civic Heritage Trust demonstrates the financial benefits to the City through increased property tax revenues from increased building assessments (see tables attached) in Appendix A, Schedule A and B.

Similar successfully tax incentive programs for heritage buildings have been operating for a number of years in Regina and Edmonton, and most recently in Kitchener, Ontario.

Role of the Victoria Civic Heritage Trust

The Victoria Civic Heritage Trust already has a fairly effective grant approval system in place which reviews similar types of information that is required for the tax incentive programs of Edmonton and Regina. The grant applications for the building Incentive Program are received by Catherine Umland, the Victoria Civic Heritage Trust's Executive Coordinator, and then presented to the Architectural Conservation Committee which has a mix of architects, an engineer and a contractor. Their recommendation is forwarded for final approval to the monthly meeting of the Board of Directors. This system has been working quite well since 1990 under three different executive coordinators and has expended over \$750,000.000 in grants. The City would benefit from the expert advice of the Victoria Civic Heritage Trust's review committee. It is therefore proposed that residential conversion projects applying for a tax exemption be reviewed by the Victoria Civic Heritage Trust for their advice as part of the approval process. City of Victoria staff will control the administration of the program and prepare the final reports for Council's consideration.

Corporate Strategic Plan

This program responds to recommendations in the recent Urban Development Institute Study of Office Space Vacancy in Victoria (December 17, 1997). It is identified in the City's Strategic Plan under Goal #1 "to develop a vibrant and healthy downtown core, which supports residential business, and leisure activities." It also supports the City's economic development goals

through long term increases in the value of building assessment downtown. It increases public safety and advances heritage conservation goals by stimulating seismic upgrading of heritage buildings.

Official Community Plan

This proposed program is supported by the following recommendations in the 1995 Official Community Plan:

4.9 Toward a Viable Community

D. Downtown

D2) Old Town

Policies Viii) "Encourage use of upper floors in existing buildings."

- x) Promote the rehabilitation of older buildings and retention or return to façade appearance, which is consistent with the building's architectural style.

5.8 Toward An Affordable Housing Community

E. Downtown

Policies ii) "Provide incentives for downtown residential development, including Upper Storey Accommodation through land use, density and parking policies.