



INFORMATION REPORT

TO: Chair and Members Planning Committee	WARD(S) AFFECTED: CITY WIDE
COMMITTEE DATE: June 4, 2013	
SUBJECT/REPORT NO: Financial Incentives for Protected Heritage Properties (PED13098) (City Wide) (Outstanding Business List Item)	
SUBMITTED BY: Tim McCabe General Manager Planning and Economic Development Department	PREPARED BY: Alissa Golden (905) 546-2424 Ext. 1214 Hazel Milsome (905) 546-2424 Ext. 2755
SIGNATURE:	

Council Direction:

Planning Committee, at its meeting of December 4, 2012, approved the following:

That Planning and Engineering staff report back to Planning Committee with options/alternatives as it relates to a reduced fee schedule on tax incentive programs for heritage building applications;

That the Report includes a summary of current incentives offered to heritage property owners.

Information:

Executive Summary:

The following Report provides a summary of the financial incentives currently offered to owners of Protected Heritage Properties, typically defined as property designated under Parts IV, V, or VI of the Ontario Heritage Act, and/or subject to a Heritage Conservation Easement Agreement between the owner of a property and a conservation body or level of government. As part of the review, this Report acknowledges that the 2013

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Council-approved fee schedules for Building, Planning, and Engineering applications do not provide specific reduced fees for heritage building applications. However, there is a reduced fee for residential site plan applications in the Hamilton Beach Strip Area, which includes the Hamilton Beach Heritage Conservation District. The Council-approved fee schedules were established as a result of a comprehensive review of the costs associated with processing and administering those services. Staff is of the opinion that a more fulsome study would need to be undertaken to assess the effectiveness, financial impacts, and staffing implications of providing a reduced fee schedule for heritage building applications.

The City of Hamilton offers three incentives targeting the conservation and redevelopment of Protected Heritage Properties, including: Development Charge Exemption for the Adaptive Reuse of Heritage Properties; the Hamilton Heritage Property Grant Program (HHPGP); and the Hamilton Community Heritage Fund Loan Program (HCHF). In addition, Urban Renewal provides a variety of other financial incentive programs that can be used in conjunction with the two heritage-specific funding programs.

Staff is of the opinion that the available financial incentives reflect a well-rounded suite of options for the conservation and redevelopment of industrial, commercial, institutional, and multi-residential Protected Heritage Properties in areas targeted for intensification and redevelopment. The programs provide a range of incentives for small to large developers, from commercial property and façade improvement grants to multi-residential improvement and remediation loans.

2013 Fee Schedules:

At its meeting of December 4, 2012, the Planning Committee approved the 2013 fee schedules for the Building Services (PED12227) and Planning and Growth Management Divisions (PED12231). The Council-approved fee schedules were established as a result of a comprehensive review of the costs associated with processing and administering those services.

The 2013 Tariff of Fees, as identified in Planning and Economic Development Report PED12231, reflects an activity based, full cost analysis of the time and resources that are directly related to the review of Development Applications. The fees are considered appropriate in recouping the actual cost of processing and administering Planning and Development Applications, but not necessarily full cost recovery from User Fees only.

Similarly, the 2013 Building Services fees outlined in Planning and Economic Development Report PED12227 cover the reasonable and necessary cost increases associated with budgetary increases in the cost of operations, and ensure that any required increase associated with the administration and enforcement of the Building Code Act, 1992 is covered by the users of the system, with no reliance placed on the general levy for its operation.

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The Building Services and Planning and Growth Management Divisions fee schedules were acknowledged as being on par with the fees of comparable municipalities. Please refer to Planning and Economic Development Department Reports PED12227 and PED12231 for further discussion of these comparisons.

Staff notes that any reduction or waiving of Building, Planning, or Growth Management Division fees for heritage building applications may have substantial financial impacts and staffing implications. Staff also notes that the upfront reduction of fees for heritage building applications may not result in the appropriate conservation or redevelopment of Protected Heritage Properties. There would be no assurance that any reduced or waived fees would effectively contribute to sound conservation practices. Staff is of the opinion that a more fulsome study would need to be undertaken to assess the financial and staffing implications of providing a reduced fee schedule for heritage building applications weighed against the rationale for, and effectiveness of, such a program.

Heritage Permits:

Planning staff is responsible for administering Heritage Permits for Protected Heritage Properties. Heritage Permits enable the City to manage physical changes to heritage resources and mitigate adverse affects to the integrity of those resources. There is no administration fee associated with processing a Heritage Permit. However, proposed alterations requiring a Heritage Permit may also require other City approvals, such as a Building Permit, Sign Permit, or Planning application(s).

Development Charge Exemption:

At its meeting of February 15, 2012, the General Issues Committee approved a recommendation from the Financial Planning and Policy Division Report FCS12015 to apply a Development Charge (DC) Exemption Policy of 100% to the Adaptive Reuse of Protected Heritage Properties within the existing building envelope, across the City of Hamilton. For the purposes of the Report and accompanying By-law, Adaptive Reuse is generally defined as the redevelopment of an existing heritage building that also maintains its cultural heritage value or interests.

Report FCS12015 states that the financial impact to the City forfeiting the collection of development charges for the Adaptive Reuse of Protected Heritage Properties across the City of Hamilton is minimal due to the limited number of eligible properties and the generally small development charges that are paid for the reuse of such properties.

Financial Incentive Programs for Protected Heritage Properties:

As noted earlier in Report PED13098, the City of Hamilton has two financial incentive programs that are targeted to Protected Heritage Properties: the Hamilton Heritage Property Grant Program (HHPGP) and the Hamilton Community Heritage Fund Loan Program (HCHF). These financial incentive programs have been put in place to

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promote and encourage investment in the conservation and preservation of heritage properties. The programs have been successful at targeting improvements and conservation efforts since funding is contingent upon actual work being completed, to the City's approval.

Hamilton Heritage Property Grant Program (HHPGP):

City of Hamilton By-law No. 07-346 was passed and enacted by City Council at its meeting held December 7, 2007, which authorized the City to loan and grant monies to owners of properties designated under the Ontario Heritage Act. Staff intended that the HHPGP would be available to Condominium Corporations when initially creating the Program; however, it was not possible due to the restrictive nature of the Ontario Heritage Act. In this regard, the Program is now administered under the Downtown and Community Renewal Community Improvement Plan, a Plan that is governed by the Planning Act which permits a municipality to loan or grant monies to a Condominium Corporation (PED10164).

The HHPGP, provided in the form of a grant, gives the municipality control in what type of work is "eligible", and ensures that the actual work is completed, to the City's approval, prior to funding under the Program being advanced. Requiring the property owner to match, or be responsible for a percentage of the costs, also ensures the property owner's commitment.

In summary, the Hamilton Heritage Property Grant Program:

- Provides financial assistance in the form of a grant for structural/stability work required to conserve and restore heritage features of properties, and for the conservation and restoration of heritage features of properties;
- Assists in developing and re-using heritage properties;
- Requires that a property must be designated under Parts IV or V of the Ontario Heritage Act; and,
- Requires a property to be located within Downtown Hamilton, Community Downtowns, an active Business Improvement Area, or be designated under Parts IV or V of the Ontario Heritage Act and located within the lower City between Highway 403 and the Red Hill Valley Parkway and used for commercial, institutional, or multi-residential purposes.

The terms were modified in 2013 (Report PED13025) to include an increase to the maximum grant amounts for smaller projects:

- For projects valued at \$40,000 or less, the grant will be based on 50% of the total project cost, to a maximum grant of \$20,000 for eligible work under the program;

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- For projects valued over \$40,000, the grant will include \$20,000 (i.e. 50% of \$40,000), plus an additional grant based on 25% of the total project cost over \$40,000, to a maximum additional grant of \$130,000; and,
- In total, no more than \$150,000 will be granted for eligible work under the program, as per the current terms.

Note: The program offers an additional \$20,000 for heritage related reports, assessments and studies.

Hamilton Community Heritage Fund Loan Program (HCHF):

The HCHF was established in 1985, by the former City of Hamilton, and expanded in 2001 to all the former area municipalities. Funding is available only for work that conserves or restores the historic fabric and significant architectural elements of a building. Interior features are only eligible for funding if specifically mentioned in the Reasons for Designation or Description of Heritage Attributes of a property designated under Part IV of the Ontario Heritage Act. The City-Wide program provides financial assistance in the form of an interest-free loan, with a maximum term of 10 years.

In summary, the Hamilton Community Heritage Fund Loan Program:

- Seeks to act as a catalyst for stimulating the rejuvenation of designated heritage properties within the City of Hamilton;
- Provides a maximum loan based on 100% of total eligible restoration and/or conservation costs not to exceed \$50,000;
- Eligibility requires a property be designated under the Ontario Heritage Act;
- Requires an Easement Agreement for loans of \$15,000 or greater to protect the City's financial interests; and,
- Was modified in 2005, increasing the maximum loan from \$20,000 to \$50,000.

Suite of Available Financial Incentive Programs:

The focus of this Report is heritage-related incentive programs. However, there are a number of other funding programs for which Protected Heritage Properties may also be eligible. Appendix "A" to this Report provides a summary of the incentive programs administered through the Urban Renewal Section. These funding programs may be used in conjunction with one another, and do not preclude an applicant's ability to apply for multiple programs. An applicant is able to apply for a HCHF or a HHPGP to facilitate the conservation of the identified heritage attributes of a Protected Heritage Property, as per the program-specific terms and conditions. The HHPGP can be received in

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conjunction with the HCHF; however, the programs will not fund the same work, and total financing under the heritage programs will not exceed 50% of the total cost of the restoration/conservation work.

In addition, if a Protected Heritage Property is located within a geographic area of the City where other financial incentives are offered, the owner may be eligible for those incentives in order to fund aspects of their redevelopment or renovation projects that do not pertain to the conservation work already covered by the heritage-related programs. In other words, renovations or upgrades to exterior and interior non-heritage features that help facilitate the adaptive re-use of a Protected Heritage Property, such as roofing, replacement of non-historic windows, ventilation and heating systems, etc.

This bundle of incentives provides for a variety of funding options for various types of work, including façade improvements, tenant improvements, residential upgrades, structural/stability work, adaptive re-use through redevelopment/conversion, heritage-related reports/assessments and studies (grant portion of HHPGP), conservation/restoration work, and façade improvement.

A number of these programs were recently modified in accordance with Council-approved recommendations contained in Report PED13025. The changes included the before-mentioned modifications to the Hamilton Heritage Property Grant Program, including an increase to the maximum grant for smaller projects.

Staff is of the opinion that the available financial incentive programs reflect a well-rounded suite of options for the conservation and adaptive re-use of industrial, commercial, institutional, and multi-residential Protected Heritage Properties in areas targeted for intensification and redevelopment, including Downtown Hamilton, Community Downtowns, active Business Improvement Areas, and the lower City between Highway 403 and the Red Hill Valley Parkway. The programs provide a range of incentives for small to large developers, from commercial property and façade improvement grants to multi-residential improvement and remediation loans.

Analysis of the Existing Financial Incentive Programs for Protected Heritage Properties:

With the exception of the Environmental Remediation and Site Enhancement (ERASE) programs, the area-specific incentive programs administered through Urban Renewal target Downtowns, Business Improvement Areas, and commercial corridor areas where intensification and redevelopment could be accommodated. These programs are available for small to large developments, and provide a suite of incentive options to facilitate redevelopment, adaptive reuse, and conservation of heritage buildings. While the loan program (HCHF) is available for property owners of designated industrial, institutional, commercial, and residential properties throughout the City, the grant program (HHPGP) is limited to specific geographic boundaries.

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Staff has continually expressed that the routine maintenance and general upkeep of all properties should be the responsibility of the homeowner, including Protected Heritage Properties. However, staff recognizes that over time, the need for rehabilitation or a desire to restore significant heritage attributes may require significant investment, and should be eligible for financial assistance.

Planning and Urban Renewal staff will continue to coordinate on the aforementioned matters in order to determine if a new incentive(s) is required to address the identified gaps.

Benchmarking:

The types of financial incentive programs offered by the City of Hamilton that target the conservation of Protected Heritage Properties are on par with the range of incentive programs offered by comparable municipalities. A desktop review of other municipalities in Ontario indicates that the types of financial incentives offered for heritage properties include:

- Grant and loan programs administered through Section 39 of the Ontario Heritage Act;
- Tax rebate programs administered through Section 365.2 of the Municipal Act;
- Grants and loans in Community Improvement Project Areas administered through Section 32 of the Planning Act; and,
- Waived or reduced fees and/or development charges.

A summary of the types of programs and the maximum funding amounts offered by the City of Hamilton and nine other comparable municipalities, including London, Markham, and Toronto, are found in Appendix “B” to this Report. The majority of grant programs provided by the other municipalities, whether they are administered through the Ontario Heritage Act or the Planning Act, are matching grants that do not exceed \$15,000. In addition, the maximum available loans do not exceed \$50,000. Comparing these thresholds to Hamilton’s \$170,000 grant (HHPGP) and \$50,000 loan (HCHF) maximums, the City’s existing programs exceed the funding amounts provided by other municipalities.

Heritage Property Tax Rebate Programs are another type of funding initiative utilized by a number of other municipalities. Council was introduced to the idea of a “Heritage Tax Rebate Program” in 2003 in response to the Province introducing legislation enabling municipalities to provide tax relief to eligible heritage properties (FCS03088). At that time, the Rebate Program was not recommended, due to the potential financial impact to the City and the lack of assurance that the tax relief would be used to

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preserve/restore the eligible property. Although this program is reviewed annually, as part of the annual tax policies, it has never been established.

A number of other municipalities also offer reduced or exempted development charges or fees. However, none of the municipalities included in the review (see Appendix “B”) provided a development charge exemption specifically directed at Protected Heritage Properties, as the City of Hamilton does. Finally, a unique program not offered by any of the other municipalities compared as part of this analysis is the Town of Cobourg’s Permit Fee Program. According to its description, the program “*waives building and planning fees for restoration, renovation, and reconstruction initiatives*” in the Town’s Commercial Core Heritage District. However, the program does not apply to new construction, such as new developments and additions.

Staff is of the opinion that further study is needed to determine if a similar program at the City of Hamilton would be worthwhile and effective at facilitating the conservation of Protected Heritage Properties. Staff also notes that a number of other funding programs offered by the City of Hamilton may provide similar financial benefits and incentives, such as the Hamilton Tax Increment Grant Program, Business Improvement Area Commercial Property Improvement Grant Program, Gore Building Improvement Grant Program, and Hamilton Downtown Multi-Residential Property Investment Program (see Appendix “A”).

Conclusion:

This Information Report acknowledges that the 2013 Council-approved fee schedules for Building, Planning, and Engineering applications do not provide specific reduced fees for heritage building applications. However, the City of Hamilton offers a well-rounded suite of incentives to facilitate the conservation and redevelopment of Protected Heritage Properties, which includes two targeted heritage funding programs and development charge exemption for the adaptive reuse of heritage properties.

The City of Hamilton’s incentives for the conservation and redevelopment of Protected Heritage Properties are on par with those offered by comparable municipalities.

Staff requests that this item be removed from the Outstanding Business List.

Appendices:

- Appendix “A”: Summary of Financial Incentive Programs for Protected Heritage Properties
- Appendix “B”: Municipal Comparison of Financial Incentives for Protected Heritage Properties

:AG - Attachs. (2)

Summary of the City's Financial Incentive Programs for Protected Heritage Properties

Program Name	Type of Program					Types of Eligible Properties					Program Area	
	Ontario Heritage Act		Planning Act		Other	PHP	Ind	Inst	Com	Res	Area Specific	City Wide
	Grant	Loan	Grant	Loan								
Hamilton Community Heritage Fund		X				X	X	X	X	X		X
Hamilton Heritage Property Grant Program			X			X		X	X	X	X	
Development Charge Exemption for Adaptive Reuse of PHP					X	X	X	X	X	X		X
Hamilton Tax Increment Grant Program			X			X			X	X	X	
Business Improvement Area Commercial Property Improvement Grant Program			X			X			X		X	
Commercial Corridor Housing Loan and Grant Program			X	X		X				X	X	
Commercial Façade Property Improvement Grant Program			X			X			X		X	
Gore Building Improvement Grant Program			X			X			X	X	X	
Hamilton Downtown Multi-Residential Property Investment Program				X		X				X	X	
Office Tenancy Assistance Program				X		X		X	X		X	
Downtown Hamilton 90% Exemption Development Charges					X	X	X	X	X	X	X	
Downtown/West Harbourfront Remediation Loan Program				X		X			X	X	X	
ERASE Redevelopment Grant Program			X			X	X	X	X	X		X
ERASE Tax Assistance Program					X	X	X	X	X	X		X
ERASE Study Grant Program			X			X	X	X	X	X		X
ERASE Development Charge Reduction Option					X	X	X	X	X	X		X
LEED Grant Program			X			X	X	X	X	X		X
Commercial Heritage Improvement and Restoration Program	(NLO)											

Legend:

Tax - Tax Rebate/Refund Program

Ind - Industrial Properties

PHP - Protected Heritage Property designated under Part IV or Part V or protected by a heritage easement under the Ontario Heritage Act

Other – Other incentive programs, including development charge exemption, fee waiving, etc.

(Note: Bolded programs specifically target the conservation and redevelopment of Protected Heritage Properties)

Inst – Institutional Properties

Com - Commercial Properties

Res - Residential Properties, including single and multi-residential

Municipal Comparison of Financial Incentives for Protected Heritage Properties

Municipality	Incentive Programs (maximum amounts)						Program Name	
	Ontario Heritage Act		Municipal Act	Planning Act				Other
	Grant	Loan	Tax Rebate	Grant	Loan	Tax Rebate		
Burlington	\$15,000						Community Heritage Fund (Grant/Loan)	
Cambridge	\$5,000			\$25,000			Municipal Heritage Advisory Committee Heritage Grant Programme Building Revitalization Program (Loan/75% of loan-total grant)	
Cobourg	\$1,000						Cobourg Heritage Fund	
		\$15,000					Heritage Loan Program	
						X	Heritage Tax Incentive Program (Commercial Core Only)	
						X	Heritage Permit Fee Program (Rebate of fees for conservation work)	
Hamilton		\$50,000					Development Charges Credit on Existing Buildings Program	
				\$170,000			Hamilton Community Heritage Fund Loan Program (HCHF)	
						X	Hamilton Heritage Property Grant Program (HHPGP) Development Charge Exemption for Adaptive Reuse (City-wide)	
Kingston	\$2,000		40%				Heritage Property Grant Program Heritage Property Tax Refund	
Kitchener	\$3,000		40%				Designated Heritage Property Grant Program Heritage Property Tax Rebate Program	
London				\$5,000				Heritage Building Improvement Grant
				\$5,000				Heritage Building Assessment Grant
					\$30,000			(Forgivable) Façade Improvement Loan (not heritage specific)
					\$50,000			Upgrade to Building Code Loan Program (not heritage specific)
					X			Tax Break Grant Program (Grant based on increase in property taxes)
Markham							X	Municipal Development Charge Exemptions (not heritage specific)
	\$5,000							Designated Heritage Property Grant Program
	\$15,000							Commercial Façade Improvement Grant Program (for heritage districts)
	\$1,000/ store							Commercial Signage Replacement Grant Program
		\$15,000		30%				Heritage Loan Fund
Ottawa	\$5,000						Heritage Property Tax Reduction Program	
Toronto							X	Heritage Reserve Fund (Requires Council approval)
	\$10,000 (res)		40%					Heritage Funding Program/Grant Program for Building Restoration
								Heritage Grant Program Heritage Property Tax Rebate Program