

Planning & Development Report to
SPC on Planning and Urban Development
2020 April 01

ISC: UNRESTRICTED
PUD2020-0259

Heritage Conservation Tools and Incentives

EXECUTIVE SUMMARY

The content of this report, including the originally planned recommendations, were prepared prior to the current context related to COVID-19 conditions. Administration's pre-COVID-19 recommendations are outlined in Attachment 13. At this time Administration can neither project nor quantify the magnitude of COVID-19's impact on Calgary communities and on The City's implementation and financial capacity, and as result we are seeking support from Council to return with updates on this work by no later than 2020 October 7.

This report presents recommendations for heritage conservation tools and financial incentives.

There is no immediate impact to The City's financial capacity associated with this report. The tools proposed in this report are implemented through other processes, therefore a public hearing is not required for Council to approve the recommendations at this stage, allowing citizens to follow public health protocol and physical distancing.

At the direction of Council (PFC2019-0223), Administration explored new heritage conservation policy tools and financial incentives. Administration worked with external consultant, O2 Planning + Design (O2), to propose policy options for a made-in-Calgary approach to conserving heritage areas in the city. Administration also focused on three financial incentives for further consideration: a residential "tax-back grant", a non-residential "tax credit" and an increase to the city-wide Heritage Conservation Grant Program.

A two year (Q3 2020 – Q3 2022) phased implementation program for the heritage area policy tools through the local area planning process is recommended. It will allow Administration to determine the effectiveness of the tools and identify opportunities for improvements. Through this project, land use redesignations to direct control districts that support heritage conservation will be brought forward for approval as required.

Currently, Administration is not recommending Council approve the financial incentives; rather, Administration recommends that a refined financial incentives package is brought back to the Priorities and Finance Committee no later than Q1 2022. The package will be presented for consideration as part of the 2023-2026 budget cycle.

There is no immediate impact to The City's financial capacity associated with this report; however, the 2023-2026 budget recommendations will require funding sources for operating investments to be identified within future reporting. Administration will evaluate the specific resourcing requirements once direction has been provided on the proposed tools and scoping for next steps has been completed. Administration will seek to support the two-year phased implementation program through reprioritization and will prepare appropriate investment requests for future budget deliberations as necessary pending Council direction.

The tools and incentives envisioned by this report represent a significant enhancement to Calgary's approach to heritage conservation. Administration also views this work as an important part of the Next Generation Planning System – a group of interconnected initiatives

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including the *Guidebook for Great Communities* – which will improve the way we plan for Calgary's future, and help us implement and realize the Municipal Development Plan and its policies (Attachment 1).

ADMINISTRATION RECOMMENDATION:

That the Standing Policy Committee on Planning and Urban Development recommend that Council:

1. Direct Administration to return to the Standing Policy Committee on Planning and Urban Development no later than 2020 October 7 with any updates on this work, and for further consideration of Administration's pre-COVID-19 recommendations as outlined in Attachment 13.

PREVIOUS COUNCIL DIRECTION / POLICY

Recognizing the value of heritage conservation to citizens, Council directed that heritage should be better conserved to enrich the sense of place in our communities through the One Calgary 2019-2022 Service Plan and Budgets.

At the 2019 March 5 meeting of the Priorities and Finance Committee, Report PFC2019-0223, the following was approved, as amended:

That the Priorities and Finance Committee direct Administration to conduct further analysis on heritage preservation tools and financial incentives and report back to SPC on Planning and Urban Development no later than Q4 2019.

At the 2019 November 6 meeting of Standing Policy Committee on Planning and Urban Development, Report PFC2019-1359, the following was approved:

5.1.2 Heritage Preservation Tools and Financial Incentives, PUD2019-1359 due Q4 2019 to be moved to no later than April 2020, PFC2019-0223.

BACKGROUND

Directed by the Priorities and Finance Committee in March 2019, Administration evaluated potential new policy tools and financial incentives to increase the conservation of local *heritage sites*. Financial incentives or policy tools that are part of an existing work plan, or are the jurisdiction of provincial or federal governments, have been determined to be out of scope for this report.

As noted in PFC2019-0223, heritage conservation is an important component of sustainable city building. It benefits economic development, environmental sustainability and quality of life for Calgarians. Heritage buildings attract tourism and heritage conservation jobs, supporting our local economy. The reuse of heritage buildings supports environmental sustainability, discouraging the waste of resources by reusing and repurposing buildings. These buildings create a sense of place and identity, showing the development of our city over time. An overview of the benefits and practices of heritage conservation in Calgary is provided in Attachment 2, which also includes a glossary of terms used throughout this report.

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There is tremendous value to The City of Calgary in conserving heritage; however, despite significant progress, most identified properties on the *Inventory of Evaluated Historic Resources* remain unprotected from significant alteration or demolition. Additionally, many entries on the *Inventory* have become out-dated and require re-assessment and update. Further information on the current procedures for designating (legally protecting) sites on the *Inventory* is contained in Attachment 3. A summary of overall progress towards Calgary's heritage conservation goals can be found in Attachment 4.

In 2019, a visual 'windshield survey' was performed to identify potential heritage assets across 26 communities in Calgary's built-out areas. This approach to rapidly identifying many sites of heritage value is modelled after best-practice examples such as Los Angeles' "SurveyLA" program. The windshield survey resulted in the identification of more than 4,000 *heritage assets* and represents the largest single survey of heritage properties performed in Calgary to date. Maps from the 2019-2020 windshield survey are included as Attachment 5.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

There is no immediate impact to The City's financial capacity associated with this report. The tools proposed in this report are implemented through other processes, therefore a public hearing is not required for Council to approve the recommendations at this stage, allowing citizens to follow public health protocol and physical distancing.

This report investigates financial incentives and policy tools to incentivize heritage conservation. Identified tools and incentives will address and support the conservation of *heritage sites*, while policy and regulatory tools will address *heritage areas*.

Policy Tool Options

Administration retained O2 Planning + Design (O2) to explore and test options for policy tools to support the conservation of Heritage Areas. O2 researched best-practice heritage policy areas from around North America and worked with Administration to develop the recommendations of this report. The following proposed tools were informed by the windshield survey, analysis of year-of-construction data and historic air photographs to identify where policy areas may be beneficial in the city.

Heritage Areas

The policy tools seek to address financial equivalence and physical compatibility. Financial equivalence refers to achieving a state in which it is as financially attractive to retain a building rather than demolishing it to build a new structure. This is typically achieved by implementing restrictions on the massing or development potential of new structures. Physical compatibility refers to a state when the massing, design and placement of new development is complementary and compatible with *heritage assets*. Note that none of the policies proposed by Administration restrict demolition, use, number of dwelling units, or preclude appropriate contemporary designs (e.g. mimicry or faux-historicism is discouraged).

Heritage area policies are intended to apply to low-density residential properties and will not overlap with Main Streets or Activity Centres. The unique physical and economic complexities of each Activity Centre or Main Street and the inherent conflict between The City's strategic growth objectives and heritage conservation means that Main Streets with concentrations of *heritage assets* will require a comprehensive and collaborative policy tool that balances desired

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outcomes. Administration is seeking Council's direction to explore a coordinated and strategic approach for those areas in the next phase.

The policy tools envisioned by this report represent a significant new approach to Calgary's heritage conservation. They allow us to recognize and incentivize the conservation of more than 4,000 *heritage assets*. Community-specific development guidelines will help protect the integrity of more than 1,500 *heritage assets*. Another 750 will be eligible for a specific land use (direct control district) to provide strong architectural controls, encouraging protection.

Heritage Area Tools

A three-layer system of heritage areas is proposed. The *heritage area* tools apply in portions of a community that merit preservation based on the historic integrity of the area (e.g. percentage of *heritage assets* compared to all other structures). The thresholds required for the various policy layers are explored in Attachment 7.

The layers are as follows:

1. Incentive Areas;
2. Discretionary Guidelines Area; and,
3. Direct Control Heritage Area.

1 – Incentive Areas (addresses financial equivalence only)

To broadly incentivize the conservation of *heritage assets* in the city, this policy tool would offer additional development potential or incentives to developments or projects that retain a *heritage asset* on site. This tool is intended to apply broadly within the built-out area to sites that have identified residential *heritage assets* (through the windshield survey or *Inventory*, currently 4,122 parcels). Like the Bridgeland Character

Home Retention District (DC 273D2017), proposed developments that retain a *heritage asset* are afforded additional development potential above those that do not. Also similar to Bylaw 273D2017, these incentives do not restrict or inhibit development. Proposed incentives for this policy layer explored by O2 Planning + Design are included with Attachment 8.

2 – Discretionary Guideline Area (addresses financial equivalence and physical compatibility, but only through encouragement and mandatory design review)

To incentivize the conservation of *heritage assets* in areas of the city with moderate to high historical integrity (25-49 percent *heritage assets*), this policy tool would build upon the Incentive Areas layer by making all uses (other than those incented by Layer 1) discretionary, and subject to locally-specific heritage design guidelines. These design guidelines address heritage form elements and defining characteristics and apply to all development within the area boundary. This layer would apply to approximately 2,271 *heritage assets* and 2,923 non-heritage buildings (5,194 total structures), representing an area of approximately 350 hectares across the city.

3 – Direct Control Heritage Area (addresses financial equivalence & physical compatibility with specific restrictions and allowances)

To incentivize the conservation of *heritage assets* in areas of the city with the highest historical integrity (greater than 50 percent *heritage assets*), this policy tool is intended to incentivize the conservation of *heritage assets* through specific and thorough architectural controls and limited redevelopment potential. This is likely to be implemented through a direct control district land

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use redesignation. Currently, there are approximately 745 *heritage assets* and 344 non-heritage buildings (1,089 total structures) on approximately 90 hectares that would qualify for a Direct Control Heritage Area policy.

Stacked or Layered Approach

The policy layers are intended to stack or build upon each other, resulting in increased specificity and control as the concentration and integrity of heritage areas increase. For example, the Discretionary Guideline Area also includes all incentives offered by the incentive areas policy tool. Similarly, where a direct control district is not desired by landowners, Direct Control Heritage Areas would revert to Discretionary Guideline Areas.

Financial Incentive Options

Financial incentives are essential for advancing economic development and heritage preservation. Currently, the only financial incentive provided to property owners by The City is the Historic Resource Conservation Grant Program. It is a city-wide matching grant that considers applicants on a first-come, first-serve basis. Applicants are eligible every 15 years for up to 50 per cent of approved conservation costs, up to 15 per cent of a property's assessed value or \$125,000, whichever is less. The Historic Resource Conservation Grant Program has a yearly reserve budget of \$500,000, which is often unable to provide enough incentive to counter the potential value of selling or redeveloping that resource. Further incentives or regulations are required to increase the likelihood of conservation.

Financial Incentives for Consideration:

Administration will seek to support the two-year phased implementation program through reprioritization and will prepare appropriate investment requests for future budget deliberations as necessary pending Council direction.

Administration will reprioritize existing budget capacity to provide Heritage Calgary with one-time funding of \$300,000 over the two-year phased implementation period to support a review of the existing residential properties on the Inventory of Evaluated Historic Resources to identify outdated entries and Statements Of Significance (SOS) and either update the SOS or remove the property from the Inventory (if the heritage integrity is lost) by Q4 2022.

Administration recommends that Council direct Administration to return to the Priorities and Finance Committee no later than Q1 2022 with refined financial incentives packages for consideration in the 2023-2026 budget deliberations. Attachment 6 provides further detail on these program concepts.

Financial Incentive for the 2023-2026 Budget

Two new financial incentive programs are recommended for further consideration in subsequent budget deliberations.

Residential Tax-Back Grant: to incentivize owners of residential *heritage sites* to legally designate their property, a residential tax-back grant would provide owners of protected buildings with an annual partial municipal property tax reimbursement for up to 15 years. This

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program could be capped at \$50,000 per property and may not require an owner to perform restoration or rehabilitation work (beyond that required to become a designated property).

Conceptual Program Considerations:

- If 40 percent of the 248 currently-eligible residential properties on the *Inventory of Evaluated Historic Resources* elected to designate based on this incentive, the program would need to provide a tax-back grant to 99 properties. Based on the assessed values of existing sites on the *Inventory*, designated properties would receive an average total amount of \$38,800 over the 15-year term, requiring a program commitment of approximately \$3,850,000.
- There are currently 32 residential properties on the *Inventory* that could be eligible to apply for the proposed tax-back grant. If all properties apply, between \$1.2 and \$1.6 million of the overall program total (nearly a third to half) would go towards sites that are already designated.

Non-Residential Tax Credit: to incentivize owners of non-residential *heritage sites* to legally designate their properties, legally protected properties undergoing conservation work can apply to be reimbursed half of a project cost up to a value of half of their annual municipal taxes to a maximum of \$1,000,000 per year for a 15-year period. The maximum incentive amount available cannot exceed 15 percent of a property's assessed value in combination with any other City of Calgary conservation grant.

Conceptual Program Considerations:

- This program has similarities to the existing Historic Resource Conservation Grant Program but would offer a significantly larger financial incentive than the \$125,000 maximum of that program (potentially twenty-times that value).
- The financial support required to meaningfully assist with the conservation of non-residential heritage sites is substantially larger than what is required for residential heritage sites.
- Because this program is tied to restoration or rehabilitation work, it is more difficult to estimate the program uptake.

Near-term Financial Option

Should Council wish to support financial incentives prior to 2023, or not wish to support a non-residential tax credit, a significant increase to the Heritage Conservation Grant Program could be used in place of other financial incentives.

Increase to Existing Heritage Conservation Grant Program

An increase to the city-wide conservation grant program would allow more or larger projects to make use of the grant. For example, matching the City of Edmonton's equivalent program at \$2,000,000 annually could have significant impact. This option would require a mid-cycle budget request for funding support.

Conceptual Program Considerations:

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If the city-wide grant program is increased and no other financial incentives are approved, consider reserving \$1.5 million for non-residential projects (enough for one or two annual projects) and \$500,000 (the current program) for residential properties. In this scenario, the structure of the grant program would need to be amended.

Non-Recommended Policy Tools and Financial Incentives

Administration reviewed several other policy tool and financial incentive options for potential implementation in Calgary; however, through cross-departmental consultation, some tools were determined to be out-of-scope or infeasible at this time. Additional detail on each of these tools, including rationale for their exclusion and future opportunities, is included in Attachment 9.

Attachment 9 also provides discussion of density bonusing and density transfer. Administration acknowledges density bonusing and density transfer as a successful tool where it is currently applied in the city, and we recommend continued use in those areas. Further evaluation regarding the broader applicability of this tool is occurring in the context of other initiatives that are investigating potential funding sources for public amenities and infrastructure.

Alternatives to Administration's Recommendations

Given the scope of this report and the identified risks and challenges facing Calgary's heritage resources, it is understood that Council may seek alternate implementation of the explored tools and incentives than what is recommended by Administration. Attachment 10 provides alternate implementation options should Council seek to direct additional resources or faster delivery regarding the proposed tools and incentives.

Stakeholder Engagement, Research and Communication

The following informed this report:

- Through the One Calgary 2019-2022 Service Plan and Budgets engagement conducted in 2018 October, "investing in heritage" was identified by the public as having value.
- The largest single windshield survey of Calgary's *heritage assets* was conducted in 2019 by *Fireweed Consulting* that identified more than 4,000 *heritage assets* across 26 communities in Calgary's built-out areas.
- An online and mail-in questionnaire was conducted with owners of non-designated sites on the *Inventory of Evaluated Historic Resources*. It was done to better understand perspectives regarding legal protection and what financial incentives would be required for property owners to consider heritage designation.
- In-person engagement with select stakeholders in February and October 2019, including heritage advocacy groups, community associations, City Councillors, and members of Calgary's development industry.
- A stakeholder information session was held on 2020 January 29 to share the proposed tools and explore alternatives.
- The project website, www.calgary.ca/heritage, was updated in 2020 February to inform members of the public of the work proposed in this report and to provide maps of *heritage assets* and resources identified by the windshield survey.

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- Through the ongoing local area planning processes (e.g. North Hill, Heritage Communities, Westbrook, West Elbow), heritage conservation and community identity and place was identified as a primary concern for stakeholders that requires clear direction and tools.
- Administration provided a confidential Calgary Planning Commission workshop on 2020 January 8 to solicit feedback and direction on a draft version of proposed recommendations. The comments from that meeting are summarized in Attachment 11.
- Heritage Calgary was engaged to provide feedback on the proposed recommendations. They have provided a letter of support, included as Attachment 12.

Strategic Alignment

The proposed heritage conservation tools and incentives contribute to advancing the Next Generation Planning System in Calgary (see Attachment 1). They align with other initiatives being delivered as part of this program. Initiatives within this program are part of a systematic change to The City's approach to planning, focused on implementing the Municipal Development Plan and advancing the Citizen Priority of A City of Safe & Inspiring Neighbourhoods. The initiatives within this program deliver on five of the Council Priorities for the City Planning & Policy Service Line for 2020: A. Implementing the Municipal Development Plan/Calgary Transportation Plan; B. City-Wide Growth Strategy; C. Modernized Community Planning; D. Connecting Planning and Investment; and, E. A Renewed Land-Use Bylaw. The tools and incentives will support the Municipal Development Plan and the Calgary Heritage Strategy.

This report supports the 2019-2022 One Calgary Council Directives of a City of Safe & Inspiring Neighbourhoods:

- (N3) Cherishing and protecting our heritage will enrich the sense of place in our communities. We need to ensure that The City's heritage processes are suitable to improve the protection and enhancement of *heritage assets*.
- (N5) Growth of the city needs to be managed in a way that achieves the best possible social, environmental and economic outcomes within financial capacities. The cost of growth needs to be minimized for The City while maximizing housing choice and affordability within these constraints.

This report more specifically aligns with the other Next Generation Planning System initiatives as follows:

- A placeholder section for *heritage area* policy has been created in the Guidebook for Great Communities. Pending Council direction on the *heritage area* policy tool, the Guidebook and other relevant policy or regulatory documents, such as local area plans or the *Land Use Bylaw*, will be updated.
- Until receiving Council direction on proposed heritage area policies, project teams for in-progress Local Area Plans (including the North Hill Communities Local Growth Planning) are using the windshield survey data to manage the planned growth in low-density residential areas with identified high concentrations of *heritage assets*.
- Through consultation with stakeholders, the use of financial programs such as density bonusing and density transfer (benefitting heritage conservation) are being considered through Phase 2 of the Established Areas Growth and Change Strategy (EAGCS).

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However, this report provides information on the efficacy of these programs where they are currently used to benefit heritage conservation in Attachment 6, and the April 2020 EAGCS Phase 1 report will provide further comments on the use of these tools in a growth context.

Social, Environmental, Economic (External)

There are many external social, environmental and economic impacts of these tools and incentives, which are detailed in Attachment 8.

Financial Capacity

Current and Future Operating Budget:

There is no immediate impact to The City's financial capacity associated with this scoping report; however, 2023-2026 budget recommendations will have impacts and will require funding sources for operating investments to be identified within future reporting.

Administration will evaluate the specific resourcing requirements once direction has been provided on the proposed tools and scoping for next steps has been completed. Administration will seek to support the two-year phased implementation program through reprioritization and will prepare appropriate investment requests for future budget deliberations as necessary pending Council direction.

Current and Future Capital Budget:

There are no current or future capital budget implications associated with this report.

Risk Assessment

As a finite resource, once demolished or significantly altered *heritage assets* cannot be restored or recreated. Failing to provide, or delaying the provision of, effective tools and incentives may result in the loss of *heritage assets* and resources that provide value to Calgary and support the city's culture, identity and sense of place. The proposed tools and incentives mitigate this risk, where possible, in the Calgary context.

The implementation of tools and incentives will require funding. Given the current economic climate and the as-yet-unknown impacts of COVID-19, proposing new tools or incentives that require additional spending represents a risk to The City's objective of reducing the tax burden on Calgarians. Considering additional operational budget impacts as part of future budget (2023) deliberations mitigates this risk.

Heritage and "community character" are among the most prominent concerns identified during the local area planning process for our inner-city communities. If the recommendations of this report are not approved, many of the ongoing and upcoming local area plans (North Hill Communities, West Elbow, Historic East Calgary, and West Hillhurst, Hillhurst/Sunnyside, Hounsfield Heights) will be at risk or face increased opposition due to the high concentration of *heritage assets* in these communities. This risk is mitigated by the proposed recommendations.

There is a risk of timing associated with the breadth and scope-of-work proposed. The development of the guidelines or architectural controls is anticipated to take approximately six to eight months each, during which time individual structures can be demolished. In some cases,

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the loss of a single structure could cause an area to no longer meet the threshold to qualify for heritage area policies. As we are unable to prevent demolition in Alberta, unless it is legally protected or designated, to mitigate this risk Administration will seek to roll-out implementation as quickly as possible, without negatively affecting the quality or efficacy of the tools.

This report identified the exceptional needs of non-residential *heritage assets* as well as the acute conflict between development pressures, city-wide growth policies (Municipal Development Plan, Guidebook for Great Communities, Main Streets) and certain heritage main streets. While this report seeks direction to determine a coordinated approach to non-residential heritage areas in Calgary, there remains significant risk of losing valuable *heritage assets* in the interim.

Some communities may try to use the *heritage area* policy tools to attempt to prevent growth or change in their communities. This risk is mitigated by having clear thresholds and requirements to qualify for the tool, and by not regulating use or density through the tools.

REASON(S) FOR RECOMMENDATION(S):

The proposed tools in this report respond not only to Council direction and priorities, but also to significant community interest and common concerns identified through the local areas planning process. As a finite resource, once demolished or significantly altered *heritage assets* cannot be restored or recreated. Failing to provide effective tools and incentives may result in the loss of *heritage assets* and resources that provide value to The City and support the city's culture, identity and sense of place. The tools and incentives envisioned by this report represent a massive boost to Calgary's heritage conservation. They allow us to recognize and incentivize the conservation of more than 4,000 heritage assets. Community-specific development guidelines will help protect the integrity of more than 1,500 heritage assets. Another 750 will be eligible for a specific land use (direct control district) to provide strong architectural controls, encouraging protection.

ATTACHMENT(S)

- Attachment 1 – Next Generation Planning System Overview
- Attachment 2 – What is Heritage in Calgary?
- Attachment 3 – Existing Designation Procedures and Incentives
- Attachment 4 – Heritage Conservation in Calgary Progress Snapshot March 2020
- Attachment 5 – Windshield Survey Maps and Conceptual City-wide Maps of Potential Policy Areas
- Attachment 6 – Supporting Financial Analysis
- Attachment 7 – Alternative Heritage Area Policy Tool Thresholds for Consideration
- Attachment 8 – Layer 1 Incentive Recommendations and Precedents Memo from O2 Planning + Design
- Attachment 9 – Summary of Non-Recommended or Out-of-Scope Tools
- Attachment 10 – Alternative Packages of Policy Tools and Financial Incentives
- Attachment 11 – Calgary Planning Commission Member Comments
- Attachment 12 – Heritage Calgary Letter of Support
- Attachment 13 – Administration's pre-COVID-19 recommendations
- Attachment 14 – Public Submissions