

Residential Heritage Tax Incentive

RECOMMENDATION(S):

That Executive Committee receive this Report for the Corporate Record.

HIGHLIGHTS

- This report provides Council with information on the Residential Heritage Tax Incentive program to inform deliberations for the One Calgary 2023-2026 Service Plans and Budgets. If approved as part of the budget process, the program would offer a municipal tax credit to the owners of residential properties with identified heritage value to encourage them to designate their properties as Municipal Historic Resources.
- **What does this mean to Calgarians?** Properties with heritage value are not protected against the possibility of significant modification or demolition unless they are designated or otherwise legally protected. Through this program, Calgarians would see more properties newly designated and protected in perpetuity. This ensures that, as Calgary continues to grow and change, more of the built heritage that matters to Calgarians will be retained.
- **Why does this matter?** Conserving heritage through designations strengthens a meaningful shared connection to Calgary's evolving identity. It supports the vibrancy of communities, reduces negative environmental impacts from demolition and construction, promotes economic activity, and builds knowledge of Calgary's history.
- A property tax credit has the most significant potential of all heritage tools and incentives to increase the number of residential designations in Calgary. Based on a 2019 survey of non-designated property owners, 40 per cent would be "almost certain" to designate in exchange for a tax credit. As a result, full implementation of the program could achieve over 250 new designations in as little as 10 years.
- This report builds on the previously approved Heritage Conservation Tools and Incentives report (PUD2020-0758). At that time, Council supported deferring a decision on a tax credit to the 2023-2026 One Calgary Service Plans and Budgets, with a requirement to return to Executive Committee (previously Priorities and Finance Committee), prior to budget deliberations.
- Administration plans to propose a \$5 million investment in the 2023-2026 budget, with the intent to pilot the program, evaluate public interest, and inform future budget considerations. Council will be able to decide on the program and this pilot funding as part of a comprehensive review of funding priorities during budget deliberations. There are no financial implications directly as a result of this report.
- Strategic Alignment to Council's Citizen Priorities: A city of safe and inspiring neighbourhoods, a healthy and green city, a well-run city

DISCUSSION

In 2019, Council supported work to develop tools and incentives that would encourage the conservation of Calgary's built heritage, following a report on City-owned heritage assets and best practices for encouraging heritage conservation (PFC2019-0223). In 2020, Administration presented the Heritage Conservation Tools and Incentives report which provided an evaluation of recommended initiatives (PUD2020-0758). Heritage policy tools, an increase to the Heritage Resource Conservation Grant Program, and a residential tax credit were recommended as they

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are likely to result in meaningful improvements to heritage conservation. Initiatives such as differential tax classes and a non-residential tax credit were not recommended based on the complexities of implementation and the reduced likelihood of incentivizing conservation. Council supported both the report overall and the implementation of heritage policy tools. For more information on the recommended tools and incentives, see Attachment 3.

However, due to financial uncertainty around the then emerging COVID-19 pandemic, Council also supported deferring both an increase to the Heritage Resource Conservation Grant Program and a decision on a residential tax credit to the 2023-2026 One Calgary Service Plans and Budgets. For more information on past Council direction, see Attachment 1.

Program Overview

The Residential Heritage Tax Incentive program, if approved as a pilot in the One Calgary 2023-2026 Service Plans and Budgets, would make privately-owned residential properties that are designated as Municipal Historic Resources eligible for an 80 per cent reduction to the municipal portion of their property taxes. Properties may qualify one time to receive the tax credit for up to a maximum period of 15 years, or up to a maximum amount of \$50,000, whichever comes first. Local improvement levies, penalties, fines, and other special tax bill charges will not be eligible for reduction.

The incentive amount makes heritage designation a more financially viable alternative to redevelopment, thus providing owners with more balanced options when choosing between redevelopment and heritage conservation. A direct property tax credit is also an immediate benefit for property owners and complements the existing Historic Resource Conservation Grant Program that can only be used for approved restoration and rehabilitation work. Grants require owners to provide matching funds, which may be financially out of reach for many owners, thus making grants on their own a less compelling reason to designate.

The program would also address a key legislative gap. The Historic Resources Act requires cities to financially compensate property owners if designation decreases a property's economic value. However, there are no regulations for determining compensation. As such, Calgary has relied on the goodwill of property owners to designate without compensation. Establishing a defined compensation method would make designation more attractive to more owners and streamline the designation process for The City.

Should the pilot phase prove successful, Administration projects a fully implemented program could result in over 250 newly designated residential properties in as little as ten years. Given that 44 residential properties were designated since the enactment of the Historic Resources Act in 1978, achieving over 250 new designations would result in an approximate 600 per cent increase in designated properties in roughly one quarter of the time as the previous 44.

Updates Since 2020

Administration received updated 2021 tax information to refine the program's projected cost model. Should the four-year pilot prove successful, the refined model brings down the estimated upper end cost of a fully implemented program from approximately \$18 million to \$16 million in 2021 dollars. This includes the initial \$5 million for the pilot phase and one staff position required to administer the program. Newly designated properties were also added to the list of immediately eligible properties.

Because of the refined cost estimates since PUD2020-0758, Administration plans to propose an increase the tax reduction percentage from the previously proposed 75 per cent to 80 per cent.

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The higher percentage may increase the appeal of designation and the overall costs of full implementation are still below those presented in 2020.

Previously, Administration considered a grant or rebate to reimburse owners for taxes paid. These options are less understandable, attractive, or immediate to Calgarians. To improve the transparency, ease of understanding, and attractiveness of the program, Administration recommends providing a direct credit on a property's tax bill.

Financial Implications

There are no financial implications directly as a result of this report. Administration plans to propose a \$5 million pilot investment in the Residential Heritage Tax Incentive program for consideration in the One Calgary 2023-2026 Service Plans and Budget. This includes the one staff member required to implement the program.

A \$5 million investment is expected to result in approximately 60 new designations over four years, for an approximate 136 per cent increase in roughly one tenth of the time as the previous 44 designations. A larger funding allocation would support more new designations across the four-year pilot. However, \$5 million is a conservative allocation that will allow Administration to pilot the program, evaluate public interest, and inform future budget considerations.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- Public Engagement was undertaken
- Public Communication or Engagement was not required
- Public/Stakeholders were informed
- Stakeholder dialogue/relations were undertaken

Heritage Calgary

Heritage Calgary was engaged and submitted a letter in support. (Attachment 5).

General Engagement

Beyond Heritage Calgary, no new engagement was conducted for this report. See attachment 4 for a summary of past engagement.

IMPLICATIONS

Social

Heritage conservation helps frame Calgary's evolving identity in a way that can be shared across generations and cultures. It builds knowledge of Calgary's past, which helps to explain where Calgarians are now and inform where they are going next.

Calgarians care about the look, feel, and function of their communities. As Calgary continues to grow and change, maintaining physical and highly visible connections to history supports community vibrancy and identity.

In support of this, 94 per cent of Calgarians surveyed in the 2020 Citizen Perspectives Survey agreed that conserving heritage is important to Calgary's culture and 83 per cent agreed that it is important to them personally.

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Environmental

Heritage conservation directly contributes to climate action through the retention and reuse of existing buildings. The Calgary Heritage Strategy outlines the following environmental benefits:

- Less construction and demolition debris enters the waste stream
- No energy used for demolition
- No energy used for construction
- Reuse of embedded energy in building materials and assemblies

Economic

Heritage conservation creates economic activity through property restoration and rehabilitation. Skilled trades and specialized companies are often required to achieve the standards necessary to maintain the integrity of designated properties. An increase in the number of designated properties would increase the demand for these services.

Heritage conservation increases the desirability of an area, thus encouraging investment in new homes and businesses, including the renovation and redevelopment of non-heritage properties. Areas with concentrations of heritage also act as draws for local and visiting tourists who patronize local businesses.

Service and Financial Implications

There are no service or financial implications directly as a result of this report. For information on service and financial implications if the Residential Heritage Tax Incentive is approved as part of the One Calgary 2023-2026 Service Plans and Budgets, see Attachment 2.

RISK

There are no risks directly as a result of this report. For information on risks if the Residential Heritage Tax Incentive is or is not approved as part of the One Calgary 2023-2026 Service Plans and Budgets, see Attachment 2.

ATTACHMENT(S)

- Attachment 1: Previous Council Direction Summary
- Attachment 2: Program Analysis
- Attachment 3: Tools and Incentives Summary
- Attachment 4: Engagement Summary
- Attachment 5: Heritage Calgary Letter of Support
- Attachment 6: Residential Heritage Tax Incentive Presentation

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Stuart Dalglish	Planning and Development Services	Approve
Carla Male	Chief Financial Officer	Inform
Denise Jakal	Law	Inform