

Funding Evaluation

Reconsideration of Heritage Planning Funding

Executive Summary

During the 2023-2026 Service Plans and Budgets deliberations, Council approved an additional one-time \$2 million for 2023 to fund non-residential Historic Resource Conservation Grants and to initiate a pilot of the Residential Heritage Tax Incentive.

Administration subsequently determined that both initiatives cannot be funded effectively with this additional \$2 million. To still deliver on the intent of the funding to incentivize new Municipal Historic Resource designations, Administration identified the best use of the \$2 million is to direct most of it (\$1.85 million) to the Historic Resource Conservation Grant Program for non-residential properties. This is an established program, has demonstrated success, and currently has properties interested in designation if funding is secured.

Administration has already provided Heritage Calgary with the remaining \$150,000. This will support Administration's work on new designations and will enhance Heritage Calgary's capacity.

Finally, the Residential Heritage Tax Incentive cannot be effectively initiated in 2023. As such, Administration recommends its offering be delayed until funding for a multi-year pilot can be considered in a future budget.

Heritage Conservation Tools and Incentives Overview

In 2019, Council supported work to develop tools and incentives that would encourage the conservation of Calgary's built heritage (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 Historic Resource Conservation Grant Program, and a residential tax credit were recommended as they are likely to result in meaningful improvements to heritage conservation.

Council supported both the report overall and implementation of heritage policy tools, with the latter being implemented currently through the Local Area Plan process. However, due to financial uncertainty around the then emerging COVID-19 pandemic, Council deferred an increase to the Heritage Resource Conservation Grant Program and a decision on a residential tax credit to the 2023-2026 Service Plans and Budgets.

Municipal Historic Resource Conservation Grant Overview

The City of Calgary offers a Historic Resource Conservation Grant to residential and non-residential Municipal Historic Resources. Grants can be applied to restoration, rehabilitation, and preservation work to help offset costs associated with specialized work on heritage properties. Property owners must provide matching funds.

Due to the matching funds requirement, which is not feasible for all property owners, grants are more effective at inducing non-residential designations over residential designations, given these property owners are more likely to have capacity for matching funding. All funding offered in previous years is fully committed.

Due to budget constraints in 2020, Council approved one-time funding of \$1 million per year for non-residential grants in 2021 and 2022. This decision was made in lieu of a base budget increase and was

intended to support non-residential property owners until comprehensive budget deliberations for 2023-2026.

Residential Heritage Tax Incentive Overview

The Residential Heritage Tax Incentive 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. As detailed in EC2022-0527, Administration projects that a fully implemented program would cost approximately \$16 million and could result in over 250 newly designated residential properties in as little as ten years. This would represent a 600 per cent increase in residential designations.

Designated properties would receive a reduction of 80 per cent to their annual municipal property taxes. Properties could qualify one time to receive the tax credit for up to a maximum period of 15 years, up to a maximum amount of \$50,000, whichever comes sooner.

To manage costs, Administration also identified \$5 million and 4-years were appropriate for a pilot to evaluate the program. This could provide tax incentives to all 44 existing designated properties and incentivize approximately 60 new designations, for roughly a 136 per cent increase. In EC2022-0527, Administration highlighted that this program was dependent on funding in the 2023-2026 Service Plans and Budgets.

Heritage Calgary Existing Funding

Heritage Calgary is a Civic Partner established under the Calgary Heritage Authority Act and is responsible for providing heritage advice to The City. It is also responsible for evaluating sites that are potentially eligible for designation and, thus, eligible for incentives. Given both the grant and tax incentive programs are projected to increase the number of designations, Heritage Calgary identified that it would require additional funding to support these programs. Heritage Calgary's base operating funding in 2022 was \$343,000 and an additional \$210,000 in one-time funds was transferred from the Calgary Heritage Authority Reserve.

2023-2026 Service Plans and Budgets

Administration considered \$2 million in base funding for non-residential grants in the 2023-2026 Service Plans and Budgets process, as directed by Council in C2020-1215. As proposed in EC2022-0527, Administration also considered \$5 million one-time to pilot the Residential Heritage Tax Incentive. Neither program was ultimately included in Administration's recommended service plans and budgets given limited funding capacity for 2023-2026.

Heritage Calgary requested \$405,500 be added to its base funding, including \$150,000 to replenish the Calgary Heritage Authority Reserve that was close to its minimum, for a total of \$748,500 in base funding. This funding would maintain current levels of service and enable enhanced programming, including supporting an increased demand expected due to The City's new financial incentives. Heritage Calgary also requested \$100,000 in one-time funds in 2023 for separate heritage work. Council ultimately approved \$585,884 in base operating funding for Heritage Calgary, with an additional \$67,342 one-time investment.

Responding to public feedback, Council provided additional funding for various initiatives. This included \$2 million to "expand the Non-Residential Heritage Conservation Grant Program, initiate the Residential Tax Heritage Incentive Program, and resource both programs" [sic].

Evaluation of Post-Budget Options

The approved \$2 million demonstrates an important commitment to heritage but is ultimately insufficient to effectively fund both non-residential grants for 2023 and initiate a four-year pilot of the tax incentive as originally conceived. This was identified by Administration during consideration of budget amendments. However, \$2 million was determined to be the maximum funding available. Administration also preferred to have more time to review possible uses of the \$2 million, rather than evaluate this on the floor of Council. As such, Administration reviewed various alternative scenarios for allocating the funding in a manner that meets the overall objective of incentivizing new Municipal Historic Resource designations.

Historic Resource Conservation Grant Program

Allocating all or most of the \$2 million funding to the Historic Resource Conservation Grant Program for non-residential properties was identified as the most impactful approach, supported by previous Council direction to provide \$2 million per year base funding for this purpose.

At the time of reporting, five to ten notable heritage properties are considering designation. Their decision to designate is directly influenced by the availability of grant funding. Given non-residential conservation projects require greater funding commitments than residential projects, not maintaining the majority of the \$2 million funding for non-residential grants would significantly reduce the number of non-residential properties that follow through to designation. As such, directing \$1.85 million toward non-residential grants is appropriate.

Moving forward, it is necessary to have more consistent year-over-year funding for this program. Non-residential heritage conservation projects often involve a multi-year process and owners need to be given better assurances that funding will be available for when they are ready to initiate a project

Residential Heritage Tax Incentive – Alternative Considerations

To evaluate the viability of funding the Residential Heritage Tax Incentive in addition to maintaining a majority of the \$2 million funding for grants, three scenarios were considered:

1. \$400,000 in funding could fund tax incentives for approximately eight of 36 existing designations. These properties would receive the tax incentive for 2023 and have funding secured to cover their full 15 year or \$50,000 incentive. No new designations would be induced, and it is unclear how Administration would determine which eight properties should receive the funding.
2. \$400,000 in funding could incentivize approximately eight new designations. These properties would receive the tax incentive for 2023 and have funding secured to cover their full 15 year or \$50,000 incentive. No existing properties would receive the tax incentive and funds would likely go to properties that are already prepared to designate, without a tax incentive, in 2023.
3. \$400,000 in funding could be spent entirely in 2023 to provide the tax incentive to all 44 existing designated properties and to incentivize approximately 20 new designations. However, funding would not be secured for these properties to receive their full 15 year or \$50,000 incentive, as was intended for the program and as recommended by Administration.

None of these scenarios were considered workable. Options 1 and 2 are not fair for the owners being excluded and neither is in-keeping with the expectations of the program. Initiating a program with no guarantee of future funding, as in Option 3, would also create unmet expectations for owners, undermine public confidence in the program, and pose legal risks to The City should further funding not be approved. As such, the tax incentive should not be offered until multi-year funding can be considered in a future budget.

Heritage Calgary

Providing one-time targeted funding of \$150,000 to Heritage Calgary in 2023 will provide support for designations through improved capacity for updates to the Inventory of Evaluated Historic Resources.

Given the full funding request for this Civic Partner was not provided, in part because The City's new financial incentives were not included in Administration's recommended service plans and budgets, one of those incentives now being funded means there will be increased demand for Heritage Calgary's services.