

## HISTORIC RESOURCE CONSERVATION GRANT TO THE BANK OF MONTREAL BUILDING

---

### EXECUTIVE SUMMARY

As part of the implementation of the *Calgary Heritage Strategy* (2008), Administration has been investigating the possibility of creating a Historic Resource Property Tax Incentive (HRPTI) program that would provide an incentive for property owners to legally protect and rehabilitate historic properties.

In the interim, the owners of the historic Bank of Montreal building (140-8 Ave. SW) completed an \$11.5 million rehabilitation of this building in late 2014. The owners have been in discussions with Administration throughout this project (since 2012) and anticipated that some form of the proposed HRPTI program would be in place in time for them to take advantage of it. During this time there have been ongoing discussions between Planning, Assessment and Finance, investigating funding options that support both building owners and internal stakeholders in achieving City objectives regarding heritage conservation. However, the details of a Historic Resource Property Tax Investment program have proven to be challenging, so the on-going program has yet to be established.

In the absence of such a tax incentive program, it is proposed that the owners of the Bank of Montreal building receive a one-time grant of \$1,599,000 from the **Fiscal** Stability Reserve. This grant amount is based upon a formula used in The City of Calgary's Historic Resource Conservation Grant Program, which is designed for small scale conservation projects and cannot accommodate the scale of the Bank of Montreal building. The formula provides grant funding for 50 per cent of rehabilitation costs up to a maximum of 15 per cent of the assessed value at the time of application.

### ADMINISTRATION RECOMMENDATION(S)

The Priorities and Finance Committee recommends that Council approve a one-time 2016 budget increase of \$1,599,000 in City Wide Policy & Integration, Program 610 funded from the Fiscal Stability Reserve to provide a grant to the owner of the historic Bank of Montreal building (140 8 Av. SW), contingent upon the designation of the property as a Municipal Historic Resource.

### RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, DATED 2015 DECEMBER 15:

---

That the Administration Recommendation contained in Report PFC2015-0912 be approved.

### PREVIOUS COUNCIL DIRECTION / POLICY

2008 February 04, Council approved the *Calgary Heritage Strategy* that committed The City to "endeavour to provide a broad range of assistance and incentives for all owners of historic resources to seek designation of historic resources and to encourage their rehabilitation" and specifically identified the municipal tax system as a potential source of incentives.

## **HISTORIC RESOURCE CONSERVATION GRANT TO THE BANK OF MONTREAL BUILDING**

---

In the Municipal Development Plan (2009), protecting historic resources is identified as an objective with associated policies including, “The City will identify and help to protect and manage Calgary’s historic resources”.

2012 July 16, Council revised the “Heritage Incentive Reserve” to create the Historic Resource Conservation Grant Program, which is tailored to small scale projects including single family homes and small scale construction projects. The Historic Resource Conservation Grant Program itself is unable to fund the Bank of Montreal building rehabilitation as it was not designed for projects of the scale of the Bank of Montreal building, and is fully subscribed through 2018.

### **BACKGROUND**

The Bank of Montreal building had been vacant since 2005 and The City collected property tax on the land value only for most of that period. In 2012 Administration began discussions with the owners of the Bank of Montreal building about the possibility of a property tax rebate based upon refunding a portion of the increased property tax arising from a rehabilitation of the building. This was consistent with the taxation rebate model piloted previously and approved by Council in association with the 2004-2008 rehabilitation of the Lougheed Building.

In 2012, the Bank of Montreal building owners started a major rehabilitation project that resulted in a substantial increase to the assessed value and consequently to the property tax. The owners anticipated that the proposed Historic Resource Property Tax Investment program would be in place when the project was completed and the property taxes increased. However, the details of a Historic Resource Property Tax Investment program have proven to be challenging, so the on-going program has yet to be established.

### **INVESTIGATION: ALTERNATIVES AND ANALYSIS**

Administration investigated a range of alternatives in establishing a grant incentive for the Bank of Montreal building.

The first alternative was a tax refund funded from the increased assessed value of a property resulting from the renovation, as per the Lougheed Building precedent. Administration determined that it was not feasible to separate any assessment gain solely attributable to a renovation from the normal market value increase. Further, the increase in assessed value would not generate significant income to contribute to the grant program, given the relative lack of leasable space in the Bank of Montreal building.

The second alternative was the creation of a Commercial Building Historic Renovation Reserve, involving creating a new reserve or amending the terms of an existing reserve, to fund a grant program. Administration does not recommend this alternative because it is contrary to the direction to reduce the number of reserves, as well as to reduce the amounts contained in all reserves.

A third alternative was to create a dedicated cash flow stream to fund historic renovation incentives by identifying a portion of any operating budget surplus in a given year, and diverting

## **HISTORIC RESOURCE CONSERVATION GRANT TO THE BANK OF MONTREAL BUILDING**

---

part of that surplus to a Developer incentive payment or grant. Administration does not recommend this alternative because relying on a year over year operating surplus is not a sound long term business practise.

The last alternative, and Administration's recommended option, is to have each potential project come forward on its own merit, supported by a business case with a recommendation to Council that an incentive payment to a historic renovation project would be funded from the Fiscal Stability Reserve. From Administration's perspective, this avoids having cash tied in any reserve, allows greater flexibility in terms of the dollar amount that can be recommended as a grant to any potential renovator, and provides transparency to Council as to the benefit that The City might gain from any such historic renovation. This approach also gives The City more flexibility to better respond to the needs of large-scale historic renovation projects, which are likely to be less frequent and more unique than the smaller scale projects that access the Historic Resource Conservation Grant Program.

In the case of the Bank of Montreal building, Administration applied the formula used in The City of Calgary's Historic Resource Conservation Grant Program to determine potential eligible grant funding amounts. The formula considers 50 per cent of rehabilitation costs up to a maximum of 15 per cent of the assessed value at the time of application. Based on this model, Administration recommends that the owners of the Bank of Montreal building receive a one-time grant of \$1,599,000 from the Fiscal Stability Reserve.

The Bank of Montreal property owner, however, is requesting that the 2015 assessed value be used as the baseline to calculate a grant of 15 per cent, rather than the 2014 assessment. The 2015 assessment reflects substantial completion of the rehabilitation. This request by the owner would result in a grant of \$2,133,000 rather than the amount of \$1,599,000 being recommended in this report. Administration does not support the request to use the 2015 assessment as a baseline, as the Heritage Resource Conservation Grant program upon which this recommendation and rationale is based does not use the assessment value upon completion of a project.

### **Stakeholder Engagement, Research and Communication**

City staff has been engaged in discussions with the owner of the Bank of Montreal throughout the rehabilitation project. Heritage staff reviewed the conservation work in detail and conducted regular site visits to ensure that all work on the Bank of Montreal was in accordance with best practices in heritage conservation.

The Finance and Assessment business units have been involved in the development of potential options, and the establishment of a preferred option as contained in this report. Law has reviewed this proposal and are in support.

### **Strategic Alignment**

The City of Calgary Municipal Development Plan supports the conservation and protection of Calgary's historic resources. The plan identifies historic preservation as part of good city

## **HISTORIC RESOURCE CONSERVATION GRANT TO THE BANK OF MONTREAL BUILDING**

---

building and community identity, and encourages property owners to conserve Calgary's historic resources.

The City of Calgary 2020 Sustainability Direction sets forth an objective for Calgary to become a "diverse and socially inclusive city that respects its heritage and the arts," as well as a strategy to "support the preservation of Calgary's historic resources".

The *Calgary Heritage Strategy* (2008) identifies a range of incentives, including grant programs and tax abatement, as a means to support heritage conservation by providing an incentive for property owners in Calgary to legally protect and rehabilitate historic properties.

### **Social, Environmental, Economic (External)**

Conservation of historic resources generally has a positive social impact. Historic buildings and areas provide character and visual interest to neighbourhoods, and the retention of heritage historic resources within the city is highly valued by residents.

Studies have shown that historic buildings, after rehabilitation, exhibit on par or better environmental performance than new buildings. Rehabilitating a building uses far less construction materials than building new buildings, and in itself "recycles" old materials.

The value of historic buildings to the city is not just social, but economic as well. Historic buildings have been shown to command higher rents for retail, residential, and office use and contribute to the value of nearby property.

### **Financial Capacity**

#### **Current and Future Operating Budget:**

This proposal will require a one-time 2016 budget increase of \$1,599,000 to City Wide Policy & Integration, Program 610 funded from the Fiscal Stability Reserve.

#### **Current and Future Capital Budget:**

This proposal will have no impact on the capital budget.

### **Risk Assessment**

Administration, through talks with the Bank of Montreal building owners, have entered into discussions regarding some level of incentive in exchange for rehabilitation and Municipal Designation of the historic Bank of Montreal building; the owners require both certainty and timing of The City of Calgary's assistance.

**HISTORIC RESOURCE CONSERVATION GRANT TO THE BANK OF MONTREAL  
BUILDING**

---

**REASON(S) FOR RECOMMENDATION(S):**

Historic conservation has been identified by both The City of Calgary and Calgarians as a priority. However, there are limited municipal financial incentives for conserving heritage resources in Calgary. The approach proposed in this report supports the rehabilitation of this integral downtown landmark using a method based upon the Council-approved Historic Resource Conservation grant program.

**ATTACHMENT(S)**

None