MARKHAM
the MARK of EXCELLENCE

Clerk's Department
Corporate Services Commission

March 31, 2005

Mr. Denis Kelly
Regional Clerk
The Regional Municipality of York
17250 Yonge Street
Newmarket, ON L3Y 6Z1

RE: **HERITAGE PROPERTY TAX REDUCTION INFORMATION REPORT (7.3 & 16.11)**

Dear Mr. Kelly:

This will confirm that at the meeting of Council held on March 29, 2005, Clause 5 of Report No. 10, was approved as follows:

> "That the Heritage Property Tax Reduction Program – Information Report, dated March 21, 2005, be received as information;
>
> And that the Region of York be requested to reconsider its participation in municipal heritage tax relief programs and that the Markham Regional Councillors raise this issue at Regional Council at the earliest opportunity."

Yours sincerely,

S. Birrell

Sheila Birrell
Town Clerk

Encl.

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MARKHAM the MARK of EXCELLENCE

REPORT TO GENERAL COMMITTEE

TO:	Mayor and Members of Council
FROM:	Jim Baird, Commissioner of Development Services Andy Taylor, Commissioner of Corporate Services
PREPARED BY:	Regan Hutcheson, Manager of Heritage Planning Paul Wealleans, Director of Taxation
DATE OF MEETING:	March 21, 2005
SUBJECT:	Heritage Property Tax Reduction Program - Information Report

RECOMMENDATIONS:

THAT the Heritage Property Tax Reduction Program - Information Report, dated March 21, 2005, be received as information;

AND THAT the Region of York be requested to re-consider its participation in municipal heritage tax relief programs and that the Markham Regional Councillors raise this issue at Regional Council at the earliest opportunity.

PURPOSE:

The purpose of this report is to provide a review of the Heritage Property Tax Reduction Program after its introduction for the 2003 taxation year.

EXECUTIVE SUMMARY:

Council approved the implementation of a Heritage Property Tax Reduction Program, effective January 1, 2003. The program offers a 30% reduction only on the Town and Education components of the tax bill. For the inaugural year, 23 properties received a tax reduction, 22 of which were residential and one was commercial. The total amount of the rebate to all property owners after the municipal administration fees were removed was $11,397. The highest rebate amount was $708 and the lowest was $258. The cost to Markham for the program in 2003 was $3,525.

A number of property owners chose not to participate in the program for two main reasons: the requirement of a heritage easement agreement and the lack of participation of the Region of York. Of those who had concerns with the heritage easement requirement, most indicated that the financial incentive of the tax reduction was insufficient compensation in exchange for the loss of property rights. For others, the Region's decision not to participate in the program meant that for residential properties, the 30% reduction was only applicable to 54% of their tax bill. It is recommended that Markham again request the Region to reconsider its decision and participate in this program.

Process improvements proposed for the 2004 tax applications include better use of the AMANDA system for administration of the program, and the development of a user-friendly document to explain the components of the heritage easement agreement.

BACKGROUND:

Council adopted a taxation reduction program for heritage properties

The Ontario Government has enabled local municipalities to offer tax relief to owners of heritage properties to help owners maintain and restore these unique and valuable resources. On December 16, 2003, Council of the Town of Markham approved the implementation of a Heritage Property Tax Reduction Program, effective January 1, 2003.

The annual tax reduction is 30%, but excludes the Regional component

In the Town of Markham, the amount of the annual tax reduction is 30% of taxes payable on the eligible property. Property taxes are made up of three components: the municipal component (Markham), the school board component and the regional component (York).

At this time, only the municipal and school board component of the taxes are subject to the 30% reduction. The school board component of the rebate is mandatory once a local municipality adopts a program. The Region of York is not participating in the Heritage Property Tax Reduction Program.

The Region of York Council did not support participating in the program

A report prepared by regional staff dated April 8, 2004, recommended that the Region not participate in heritage property tax relief programs established by local municipalities. The Region's concerns were mainly financial and the unknown quantity of applicants. Although the initial number of applicants may be small, once in place, it would be difficult to cancel the program and if a significant increase in applicants occurred, there would be an increased cost to the Region. Concern was also raised that cross subsidization might occur if some of the lower tier municipalities did not implement a program while those that did would benefit. It was noted that the program should be a local initiative.

A recorded vote at Regional Council on April 22, 2004 ended in a tie vote, with the result being that the Region is not currently participating in the heritage tax rebate program. Regional Council did support a recommendation referring the matter of funding for heritage properties to the Planning and Economic Development Committee and the Finance and Administration Committee for budget discussions over the course of the next year.

To participate, properties must meet eligibility criteria

To be eligible for tax relief under the Markham program, the property must comply with both provincial and municipal eligibility requirements.

<u>Provincial Requirements</u>: An eligible heritage property must be **designated as a property of cultural heritage value or interest** under Part IV of the *Ontario Heritage Act* (an individual property designation) or it must be part of a **heritage conservation district** under Part V on the *Ontario Heritage Act*; and in either case, the property must be subject to a **Heritage Easement Agreement** under section 22 or 37 of the *Ontario Heritage Act.*

A Heritage Easement Agreement is required because designation alone does not oblige owners to maintain their properties on an ongoing basis. The purpose of the tax relief measure is to offer an incentive for heritage property conservation. Therefore, relief will be available to those owners who have made a commitment to maintain and preserve their heritage properties on an ongoing basis.

The property must be subject to a Heritage Easement Agreement by December 31st of the taxation year for which the tax relief is sought. However, for 2003, the Heritage Easement Agreement had to be in place no later that July 31, 2004.

<u>Municipal Requirements (Town of Markham)</u>: Municipalities have the option of requiring additional criteria. In Markham, an eligible property must meet the following criteria, to the satisfaction of the Commissioner of Development Services:

a) be classified as a Group 1 property (of major significance and importance, worthy of designation) or Group 2 property (significant, worthy of preservation) using the Town of Markham's "Evaluating Heritage Resources" system; and
b) be in a good and habitable condition.

The purpose of reviewing a property's heritage classification is to ensure that main heritage attributes are evident (such as the building dates from an early age, retains most of its original architectural features and is representative of an architectural style, period or method of construction). The Town also wants to ensure that the building is in good condition and is habitable (as opposed to derelict and vacant).

<u>Additional Municipal Requirements</u>:
The property must not be the subject of any Town by-law contraventions, work orders or other outstanding municipal requirements, as of the date the application is received by the Town.

There must also be no outstanding municipal fines, arrears of taxes, fees or penalties assessed against the property.

All Property Tax Classes are eligible
Tax reductions may apply to an eligible property within any or all of the commercial, industrial, farm, residential or multi-residential tax classes.

The property tax reduction applies to the building or structure (or portion of) that is an eligible heritage property, and the lands eligible are calculated as percentage of the total taxes levied on the property. The Town will determine the reduction amount with the assistance of the

Municipal Property Assessment Corporation (MPAC). The intent is to ensure that the portion of the building and land that is valued by MPAC relates only to the eligible portion.

An application form and fees are required
Eligible heritage property owners must apply to the Town of Markham to take advantage of the tax relief measure. An initial application is required for the first year that the property enters the program, and subsequent renewal applications are required every third year (each application covers a two-year period). The renewal application is required to ensure that the property is in compliance with the Heritage Easement Agreement. For renewal applications, the owner is required to submit new photographs and verify in writing that the building is being maintained in accordance with the easement requirements.

As specified by provincial legislation, the application must be made no later than the last day of February in the year following the year for which the owner is seeking the tax relief. For the 2003 tax year, the deadline was February 29, 2004. The deadline for the 2004 taxation year was February 28, 2005.

There is no up-front application fee. The application fee is deducted from the amount of the tax reduction once it is calculated. The amount of the application fee is 20% of the annual heritage reduction amount for the first year and 10% of the annual heritage reduction amount for every renewal application. This fee helps cover the administrative costs of the program. The fee is deducted for only the year of application.

In addition, to further assist property owners who require a Heritage Easement Agreement, the Town has eliminated the $300 easement agreement preparation fee.

A thorough staff review is undertaken
The administration of the Heritage Property Tax Reduction Program primarily involves staff from the Planning Department (Heritage Section) and Finance Department (Taxation Division). Additional staff review for the purpose of ensuring compliance involves Building Standards, By-law Enforcement and Legal Services.

The initial Application Form allows staff to confirm that eligibility criteria are met and to capture key property information such as current photographs of the property, verification that the building is being maintained in accordance with the Heritage Easement Agreement, proof of insurance coverage and any anticipated restoration and maintenance costs for the coming year.

Staff from the Heritage Section is also responsible for evaluating the subject property to determine its municipal heritage classification. Only properties classified as Group 1 (of major significance and importance, worthy of designation) or Group 2 (significant, worthy of preservation) using the document entitled "Evaluating Heritage Resources in the Town of Markham" are eligible for the Program.

DISCUSSION:

Public notification of the Program
Once the program was approved in December 2003, a comprehensive information booklet was prepared by staff to describe the program and answer commonly asked questions. This booklet was mailed to all those individuals who attended the public information meeting on this topic in July 2003 and to those who had contacted the Town indicating an interest in the program. Notices were also placed on the Town of Markham page in the local newspapers.

Twenty-three applications were approved for 2003 taxation year
For the 2003 taxation year, the Town received 38 applications. After a thorough review by Town departments, 23 applications were approved. Of the 15 unapproved applications, 8 withdrew because of the heritage easement requirement, 3 properties were in tax arrears, 3 had outstanding building permit issues and 1 had an outstanding site plan issue.

Of the 23 properties participating in the program, 22 are residential and 1 is commercial.

Of those who had concerns with the heritage easement requirement, most indicated that the financial incentive of the tax reduction was insufficient compensation in exchange for the loss of property rights.

Region's refusal to participate in the program affected applications
A number of potential applicants did not submit an application when informed that the Region of York was not participating in the program. The current program offers the 30% reduction only on the Town and Education component of the tax bill. For residential properties, the Region's portion at 46.23% is the largest of the three components. Therefore, residential applicants are only receiving a 30% reduction on about 54% of their tax bill.

For example, on a $3000 residential tax bill (2003), the following chart illustrates the different tax reduction amounts depending upon whether the Region of York participates in the program:

Components And Percent	Sample $3000 Tax Bill	30% Reduction	Tax Reduction (municipal and school board only)	Tax Reduction (municipal, region and school board)
School Board 29.5%	$885	30%	$265	$265
Region 46.2%	$1386	30%	n/a	$416
Markham 24.3%	$729	30%	$219	$219
Total	$3000		$484*	$900*

* Application Fee to be deducted from this amount

The cost to the Town was lower than expected due to fewer applicants
The total cost of this program to the Town for 2003 was $3525.46. The breakdown was as follows:

Total Rebate Amount	$14,247.13	
Municipal Portion of rebate		$6,374.89
Less 20% Admin Fee		-$2,849.43
Total Cost to Town (2003)	$3,525.46	
Education Portion of rebate	$7,872.24	
Lowest Rebate Cheque	$258.00	
Highest Rebate Cheque	$708.00	

There is no fee for the second year of the program so the reduction amounts will be higher for the 2004 taxation year for the above applicants. The renewal fee for the 2005 taxation year is 10% of the reduction amount.

Staff originally anticipated a 10% take-up (approximately 56 properties) with an estimated cost to Markham of $24,121 (excluding any municipal administration fees).

The cost to the Region of York if it had agreed to participate in the program would have been approximately $12,000 for the 2003 tax year.

Process improvements are proposed for 2004 applications

A meeting was held on January 7, 2005 with representatives from finance, by-law enforcement, building inspection, compliance, planning and legal to review the program and potential process improvements. Given that it was the inaugural year, it was the general opinion that the program was successful from an operational perspective. It was agreed that the administration of the program could be improved if we made better use of AMANDA system. For the 2004 applications, the review process and any associated letters to applicants will be administered using AMANDA.

Another improvement to be introduced will be the development of a user-friendly information document to explain the heritage easement agreement. The existing agreement is a legal document, some 13 pages in length which has the potential to intimidate some property owners.

FINANCIAL CONSIDERATIONS:

The cost of the program is funded from the tax write-off account. Although the rebate for 2004 is expected to be higher because no administration fees are charged in the second year of eligibility, sufficient funds exist in the write-off account.

ENGAGE 21ST CONSIDERATIONS:

This heritage property assistance program recognizes, promotes and strengthens the development of a Quality Community.

BUSINESS UNITS CONSULTED AND AFFECTED:
The following business units are involved in this program: Planning and Urban Design Department (Heritage Section), Finance Department, Clerks Department (By-law Enforcement), Building Standards Department (Compliance and By-law Inspection) and Legal Department.

ATTACHMENTS:
None.

Andy Taylor
Commissioner of Corporate Services

Jim Baird, M.C.I.P., R.P.P.
Commissioner of Development Services

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