3
REGIONAL PARTICIPATION IN HERITAGE PROPERTY TAX RELIEF PROGRAMS

(Mayor Taylor declared an interest in this matter as his home is a heritage property and did not take part in the consideration or discussion of or vote on this matter.)

The Finance and Administration Committee recommends:

1. the adoption of the recommendation contained in the following report, May 6, 2005, from the Commissioner of Finance:

1. RECOMMENDATIONS

It is recommended that:

1. The Region reaffirm its decision to not participate in heritage property tax relief programs that may be established by the local municipalities.

2. PURPOSE

The purpose of this report is to respond to a request from the Town of Markham that the Region reconsider its participation in municipal heritage tax relief programs.

3. BACKGROUND

On March 21, 2005, the Town of Markham passed a resolution requesting that the Region of York reconsider its decision not to participate in heritage property tax relief programs.

Heritage Property tax relief programs were created under subsection 365.2 of the *Municipal Act, 2001* (the Act) which authorized local municipalities to provide relief in the range of 10 to 40 percent of the taxes levied on an “eligible” heritage property as defined in the same section of the Act. In 2004, both the towns of Markham and Newmarket instituted tax relief programs and requested the Region to support their programs by providing a similar tax relief.

At its meeting of April 22, 2004, Council adopted a staff report on this matter which recommended that it not participate in these programs. This recommendation was based on the Region’s previously established position with respect to locally administered initiatives, such as Community Improvement Plans, that it would be unfair for the Region to target benefits to a group of taxpayers in one municipality but would not be available to similar group taxpayers in another local municipality when the cost of providing these benefits are shared by all taxpayers of York Region.

The report also noted that only Markham and Newmarket were offering this program; the programs were different in terms of the amount of benefit available; the local municipality had the ability to offer a benefit that equalled the Region's share if it was willing to fund the cost itself; and finally the actual cost of the programs was uncertain.

3.1 Programs Offered by Markham and Newmarket

The Heritage Property Tax Reduction Program in Markham offers a 30% reduction on the Town and Education components of bill for eligible heritage properties. In Markham, an application fee equivalent to 20% of the annual heritage tax reduction applies to the initial application, and 10% of the same applies to every renewal (every third year), by means of deduction from the total tax reduction amount.

The General Committee report of March 21, 2005 (Clause 5 of Report No. 10) from Markham states that for the taxation year 2003, 22 residential properties and one commercial property applied and qualified for a tax reduction. This represents a 4% take-up rate, which is significantly lower than the estimated 10% to 40% take-up range (approximately 56 to 226 properties).

Table 1
Heritage Property Tax Reduction Program in Markham

Rebate Components	Rebate Amount
Municipal Portion of Rebate	$ 6,374.89
Education Portion of Rebate	$ 7,872.24
Total Rebate Amount	$ 14,247.13
Less: 20% Admin Fee*	$ -2,849.43
Rebate Received by Applicants	$ 11,397.70

* Administration fee applies to the total rebate in the year of application. A 10% renewal fee is charged every three years.
Source: Town of Markham General Committee Report, March 21, 2005.

The Markham report also indicated that the Region's decision to not participate in the program has affected the number of applications. Advice from Markham staff indicates that about 10-15 potential applicants did not submit an application because the financial benefit was insufficient compensation for entering into an easement agreement. However, it is unclear what portion of these potential applicants would have joined the program due to the Region's participation.

The Heritage Property Tax Refund Program in Newmarket offers a maximum tax refund (40%) applies to the Town and Education components of the tax bill. No application fee is required. For the 2004 taxation year, two applications were received for their program.

Only one of the two ultimately participated in the program with the final cost currently being determined.

Both programs apply to heritage properties that are in any or all of the commercial, industrial, residential or multi-residential property classes.

3.2 Programs Offered by Other Local Municipalities

Currently, no other local municipality has adopted a heritage tax relief program. However, the City of Vaughan has instituted a program to provide grants and low-interest loans to owners of properties designated under the Ontario Heritage Act to offset the costs of restoration.

3.3 New Amendments to the Ontario Heritage Act

Ontario Heritage Amendment Act, 2004, which gives local municipalities more power to protect heritage buildings, has received Royal Assent on April 28, 2005. The new amendments to the *Ontario Heritage Act* include a new definition of heritage attribute which is expanded to include the property around heritage buildings. This could potentially result in more property being considered eligible under tax relief programs. The uncertainty associated with the interpretation of the legislation precludes estimating the financial impact of the legislation.

4. ANALYSIS AND OPTIONS

Very little has changed since Council adopted its position on April 22, 2004. No new local municipality has adopted a heritage property tax relief program and the participation rate and therefore the cost of the rebates has not been significant to date. Notwithstanding, the issue of taxpayer fairness must be evaluated when the Region considers providing relief to property owners in only two of the nine municipalities through such programs on an ad hoc basis.

Should local municipalities feel that it is important to the success of these programs to increase the amount of relief available to heritage property owners, they also have the ability to rebate an amount equal to the Region's portion of tax bill, provided that they are willing to fund the cost of providing it themselves.

There are a variety of other tools available to municipalities in Ontario to provide assistance to heritage properties. For instance, Vaughan provides grants and low-interest loans; conditional heritage grants are provided in Cobourg, London and Perth to offset the re-assessment increase in property taxes arising from an approved restoration and rehabilitation project on heritage properties.

5. FINANCIAL IMPLICATIONS

There is no financial impact to the Region of not participating in a heritage property tax relief program. If the Region does participate, the longer-term costs are difficult to quantify. The cost would be determined by the rate of tax rebate or reduction that the Region chooses, the number of local municipalities offering tax relief programs, and the rate of participation by property owners from year to year. In the 2004 Finance Committee report on this matter (Report 6, Clause 5), it was estimated that, under the assumption that all local municipalities would participate, the potential relief from the Region could range from $149K at 10% take-up rate to $1.49M at 100% take-up rate. The actual take-up rate for 2003 was closer to 4% with a potential cost to the Region estimated at $15,000.

6. LOCAL MUNICIPAL IMPACT

Municipalities not offering a heritage property tax relief program incur no additional costs if the Region does not participate. If the Region chooses to participate, municipalities not offering a heritage property tax relief program would be responsible to cost share the Regional portion of relief based on their contribution to the Regional tax levy. In 2005, the contribution percentages are as follows:

Table 2
Share of Regional Tax Levy 2005

Municipalities	Share of Regional Tax Levy 2005
Town of Aurora	4.8%
Town of East Gwillimbury	2.0%
Town of Georgina	3.1%
Township of King	2.6%
Town of Markham	28.7%
Town of Newmarket	6.6%
Town of Richmond Hill	18.0%
City of Vaughan	31.4%
Town of Whitchurch-Stouffville	2.8%

Source: York Region By-law No. A-0360-2005-032

For the inaugural year of Markham's program, the total administration fee received by Markham was equivalent to 20% of total benefit provided. Reducing or eliminating this administration fee would significantly increase the amount of benefits individual home owners would receive. Furthermore, if the Region was a participant in the program, the

Town's administration fee on the full rebate would increase by 85% and reduce the Region's rebate to the taxpayer by 20%.

7. CONCLUSION

The Town of Markham has requested that the Region reconsider participation in the municipal heritage property tax relief programs. This report recommends that the Region reaffirm its previous decision not to participate, since circumstances remain the same as those at the time of Council's original decision to not participate.

The Senior Management Group has reviewed this report.

(Please refer also to Clause 20, Item 6 in the Committee Update.)