5
HERITAGE PROPERTY TAX RELIEF PROGRAM

(Please see Minute No. 97 of April 22, 2004 Minutes of Council for recorded vote)

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, March 3, 2004, from the Commissioner of Finance:

1. RECOMMENDATIONS

It is recommended that:

1. The Region not participate in heritage property tax relief programs established by local municipalities.

2. PURPOSE

The Towns of Markham and Newmarket have recently passed by-laws to provide property tax relief for heritage properties and have requested that the Region support these programs through a similar tax relief.

3. BACKGROUND

The Tax Reduction for Heritage Property Program (the "Program"), pursuant to section 365.2 of the Municipal Act, 2001, provides local municipalities with a mechanism to provide tax reductions or refunds with respect to an "eligible" heritage property.

To be "eligible" for the tax reduction, the property must be designated under the *Ontario Heritage Act* (the "Act), and subject to a heritage easement agreement under the Act or an agreement with the local municipality respecting preservation and maintenance. The tax refund applies to the building or structure (or portion thereof) that is an eligible heritage property and is calculated as a percentage of the total taxes for municipal and school purposes levied on the property. The relief granted under the Program is legislated to be in the range of 10 to 40 percent of the taxes levied on the property. The Program can apply to properties that are in any or all of the commercial, industrial, residential or multi-residential tax classes.

While the School Board must participate in the Program, an upper-tier municipality has the option to provide a similar reduction or refund of taxes levied for upper-tier purposes.

In the case where the upper-tier municipality does not participate, the tax relief must be shared by the lower-tier municipality and the school boards in one of the two following ways:

- The lower-tier municipality and the school boards will, without affecting the taxes raised for upper-tier purposes, share the tax relief in the same proportion that they share in the tax revenue from the properties to which the tax relief relates; or

- If the lower-tier municipality chooses to also provide relief with respect to taxes raised for upper-tier purposes, its share of the tax relief will be in proportion to the taxes levied for both upper-tier and lower-tier purposes. The school boards must share the tax relief in the same proportion that they share in the revenue from taxes from the properties to which the tax relief relates.

As of this date, the Town of Newmarket and the Town of Markham have established a Program and have requested that the Region participate. However, through consultation with local finance staff on this matter, we have been advised that the City of Vaughan is considering establishing a heritage property tax relief program.

3.1 Town of Newmarket Heritage Property Tax Refunds By-Law

The Town of Newmarket approved its heritage property tax refund program on October 14, 2003. This program provides the maximum tax refund permitted by the legislation (40%) of only the Town's and education share of property taxes levied on the eligible portion of a heritage property in the Residential, Multi-Residential, Farm, Commercial and Industrial property classes, retroactive to January 1, 2003.

In a Planning Report that was approved by Newmarket Council on August 18, 2003, there are currently about 12 residential properties and four commercial properties designated under the Act that would be eligible for the heritage relief if they were to enter into a heritage easement/agreement with the Town. In addition, 106 other buildings listed in the Newmarket Heritage Inventory (March 1995) are considered worthy of designation under the Act. The Report indicated, however, it is unlikely that every building would have the qualities of a true historic building. Therefore, it is anticipated that the Town could limit the amount of properties eligible for the proposed rebate by limiting the amount of heritage easements entered into.

Table 1
Long-Term Financial Impact of Heritage Refunds in the Town of Newmarket
Take-up Scenarios ($)
(118 Properties and 40% Tax Refund)

	Town	Education	Region	Total
16 Currently Designated Properties	11,249	19,735	13,938	44,598
106 Properties Potentially Designated*	74,525	130,744	92,339	295,462
Total 122 Properties	85,774	150,479	106,277	340,060
100% Take-Up	85,774	150,479	106,277	340,060
50% Take-Up	42,887	75,240	53,139	170,030
25% Take-Up	21,443	37,620	26,569	85,015
10% Take-Up	*8,577*	*15,048*	***10,628***	*34,006*

* Source: Analysis based on the Town of Newmarket Planning Report 2003-18
Tax revenues from 106 potentially designated properties are extrapolated in the same proportion as the 16 currently designated properties figures provided by the Town of Newmarket.

Table 1 illustrates the financial impact scenarios where all potential properties are designated under the Act. Assuming the take up rate is 10%, the Region's share of contribution would be $10,628. Should 100% of the 16 existing designated heritage properties take up the Program, approximately $13,938 would be incurred by the Region.

3.2 Town of Markham Property Tax Reduction Program for Heritage Properties

On December 16, 2003, the Town of Markham Council approved the implementation of a Heritage Property Tax Reduction Program effective January 1, 2003. The amount of refund is set at 30% of the Town's and education taxes payable for the eligible property in the property tax class of Residential, Multi-Residential, Farm, Commercial or Industrial. An applicable fee of 20% of the annual heritage reduction for the initial year of application and 10% of the annual heritage tax reduction for each renewal period (every third year) would be deducted from the total local municipal annual heritage tax reduction amount once calculated.

It is estimated that there are 1,299 designated heritage properties in the Town, of which about 564 properties could be eligible for a refund. The Town estimates, based on the assumption of 30% of tax relief and a 10% take up rate, that the cost to the Region, if it participates, would be approximately $45,862.

Table 2
Financial Impact of Heritage Relief in the Town of Markham
Take-Up Scenarios ($)
(564 properties and 30% Tax Refund)

	Town	Education	Region	Total
100% Take-Up	241,201	706,340	458,620	1,406,160
50% Take-Up	120,601	353,170	229,310	703,081
25% Take-Up	60,300	176,585	114,655	351,540
10% Take-Up	*24,120*	*70,634*	***45,862***	*140,616*

Source: Town of Markham Report to Finance and Administrative Committee Dec 8, 2003

4. ANALYSIS AND OPTIONS

Under the Municipal Act Section 365.2 (7), an upper-tier municipality that receives a notice that a lower-tier municipality has passed a by-law under this section may pass a by-law to authorize a similar refund or reduction of taxes levied for upper-tier purposes.

As both the Town of Newmarket and the Town of Markham have requested the Region to respond and to provide a similar by-law to provide refund of the Regional taxes for the eligible properties that are of heritage and cultural value, the following two options should be considered.

4.1 Option 1: Region to Participate in the Program

To date, local municipalities that have established a Program have only offered reductions for the local municipal and education portion of the tax bill. Since the Region's share of property tax in the residential class is almost 45% of the bill, its participation in the Program significantly increases the tax relief benefit available to owners of heritage properties.

If the Region participates, the financial impact will ultimately depend on the take-up rate at the local municipal level and the participation of other municipalities. Based upon the by-laws currently enacted and the assumptions as indicated in the analysis, in the short-run, the Region would provide a tax refund of approximately $10,628 in Newmarket and approximately $45,862 in Markham. In total, this would cost the Region approximately $56,490 annually or $112,980 in 2004 if the Program is made retroactive to January 1, 2003.

4.2 Option 2: Heritage Tax Relief Remains a Local Municipal Responsibility

There are several reasons why the Region might not want to participate in the heritage tax relief programs now envisioned. First, while the decision to implement and the size of relief would vary from municipality to municipality, the cost of any upper-tier contribution to a Program would be shared among all municipalities in the Region. This would also be inconsistent with the Region's long term tax policy objective to minimize, where possible, inter-municipal shifting of taxes. Second, there is no direct cost benefit in participating in the Program as the cost to provide Regional services to heritage properties is the same as to similar undesignated properties. Third, the long term financial cost is unknown and could be material. The heritage program is a new initiative to the local municipalities that are implementing the program, and there is no track record to reliably predict participation rates. Table 3 illustrates the scenarios of possible financial impact of heritage tax relief programs to York Region in the long-term. If all local municipalities participate, the potential tax relief from the Region could range from $149K to $1.49M, depending on the take-up rate. Fourth, a decision not to participate would be in keeping with the Region's role to date of encouraging, but not providing financial support to other locally administered initiatives such as "Community Improvement Plans" established under Section 28 of the Planning Act.

Therefore, for the reasons noted above and in particular the unknown cost of providing these rebates, Option 2 has been recommended.

Table 3

Financial Impact of Heritage Relief in York Region

Take-Up Scenarios ($)

	Total Regional Tax Relief for Markham and Newmarket	Potential Regional Tax Relief for Other Municipalities*	Total Potential Regional Relief
100% Take Up	564,897	921,674	1,486,572
50% Take Up	282,449	460,837	743,286
25% Take Up	141,224	230,419	371,643
10% Take Up	56,490	92,167	148,657

* Figures are based on numerical extrapolation, but not heritage property inventories from all local municipalities. Potential relief for other municipalities is extrapolated from total potential relief of Markham and Newmarket, based on the assumption that these two municipalities constitute 38% of total population in York Region.

5. FINANCIAL IMPLICATIONS

If the Region does not participate in the Program, there will not be any financial impact.

6. LOCAL MUNICIPAL IMPACT

Should the Region not provide tax relief for eligible heritage properties, local municipalities will not be affected by any additional cost. While municipalities have the choice to provide rebates of the upper-tier portion to eligible property owners in the case where upper-tier does not participate in the Program, both Newmarket and Markham have legislated not to provide relief of the Regional portion.

7. CONCLUSION

The Heritage Property Tax Reduction Program is a locally administered initiative. This Report recommends that the Region not provide refunds of matching relief percentage to local municipalities that adopt and administer such programs.

The Senior Management Group has reviewed this report.