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Council Policy

Heritage Building Tax Incentive Program Policy

APPROVED July 26, 2004

RESOLUTION: R375/10/04/26
REPLACING: R770/09/07/27; R723/04/07/26
DATE OF LAST REVIEW: April 2010

The City of Kelowna is committed to the ongoing restoration, rehabilitation and maintenance of buildings on its "Heritage Register." It is acknowledged that the restoration, rehabilitation and structural maintenance of heritage buildings and particularly agricultural, commercial, industrial and institutional buildings can be costly and cost prohibitive for some property owners. The following incentive policy has been created by the City of Kelowna in order to encourage the restoration and rehabilitation of agricultural, commercial, industrial and institutional buildings listed on the City's Heritage Register.

A. PRINCIPLES

In preparing the methodology to determine heritage incentives, staff applied the following guiding principles:

- a) The methodology and assumptions used for calculating heritage incentives are designed to best approximate actual costs and values (accuracy) while, at the same time, be consistent with heritage-related policy over time and across projects.
- b) All applicants and applications will be treated in the same manner in terms of the application process and incentive calculations.
- c) The scope of the project being submitted for a heritage incentive and all relevant figures submitted by the applicant will be reviewed by City staff for accuracy, reasonableness and program applicability.

B. ELIGIBLE PROPERTIES

- a) Eligible properties must be listed on the City of Kelowna Heritage Register and be Designated as heritage properties/buildings under Section 967 of the Local Government Act. Alternatively, the Heritage Designation can be applied for and be made a condition of the requested tax exemption.
- b) Eligible properties must be available for occupancy after the restoration or rehabilitation and be used for any use other than single or two family residential.
- c) The property owner must not be in arrears in payment of taxes.
- d) Institutionally zoned properties currently receiving a municipal tax exemption are not eligible.

C. CRITERIA FOR ALLOCATION OF TAX EXEMPTIONS

In implementing this program, the following are considered when determining costs eligible for the tax incentive:

- a) Conservation and repair of significant original architectural elements, including repair of deteriorated elements such as doors, windows, roofing, or other significant features as identified in the "Statement of Significance," documented for each property on the Heritage Register.
- b) Reconstruction of significant historical features, using materials that replicate the original.
- c) Work to restore a building to structural soundness as per the "Standards and Guidelines for the Conservation of Historic Places in Canada" with reference to the BC Building Code.
- d) The conservation of interior elements will be eligible if it is necessary for a building's structural integrity.

C. CRITERIA FOR ALLOCATION OF TAX EXEMPTIONS (CON'T)

- e) Some interior elements may be eligible if they are considered by staff to have significant heritage value. Such elements must be accessible to the general public. Interior services including plumbing, electrical and heating are eligible if necessary to ensure the continued use of the building.
- f) Fees for architects, consultants, professional quantity surveyors, public accounting firms, and third party estimates are eligible.
- g) The City will not consider retroactive funding for work completed prior to submission of the grant application.
- h) The applicant must complete the work in accordance with the approved permit, and must comply with the "Standards and Guidelines for the Conservation of Historic Places in Canada," design guidelines, policies, bylaws or complementary standards and provisions that apply before the City applies the incentive to the property.

D. LIMITATIONS

- a) The owner of a heritage building may only make use of the tax incentive program once in any ten year period which commences following final inspection of the approved work as detailed in the application.
- b) The date established in section D. LIMITATIONS (a) must be on or before July 15, in order to be considered for a municipal tax exemption for the subsequent taxation year.
- c) A project may be phased. However, the costs of each phase must be identified at the time of the initial application.

E. TAX EXEMPTION STRUCTURE

- a) The dollar amount of the incentive shall be calculated based on 75% of the sum calculated by applying the criteria in Section 3.0.
- b) The incentive will be structured so that the property owner is exempt from a portion, or all the municipal share of taxes based on the assessed value of incremental improvements to the heritage buildings. This incentive will be applied equally over a term of 10 years in 10 equal amounts to reach the amount calculated in 5.0(a). After the term has ended, the property and improvements shall be taxed at the current market rates.

In the event that the amount of compensation in 5.0 (a) cannot be reached by applying the formula described in 5.0 (b), staff may recommend to Council that the following alternate municipal tax exemption formula be applied:

- c) The incentive will be structured to provide a municipal tax exemption based on the total assessed value of land and improvements in 10 equal amounts for a term of 10 years to cover the dollar amount calculated in 5.0(a).
- d) For further clarity, local service taxes, and fees and requisitions from other taxing authorities do not qualify for tax exemption.
- e) If the annual municipal tax exemption over 10 years is less than the total of the approved exemption, the Financial Services Department will review the assessed value of the property on an annual basis in order to adjust the tax incentive to work towards achieving the desired amount – 75% of the project's eligible cost as defined in 5.0(a). The revised annual calculation will then be: (dollar value of approved exemption – dollar value of exemption received to date)/(number of years of exemption remaining).

F. PROCEDURE

- a) If the property is not already Designated under Section 967 of the Local Government Act, the applicant will make application with the City of Kelowna for a Heritage Designation for the subject property under said act. Heritage Designation is required for the property to be eligible for the Heritage Building Tax Incentive.
- b) A completed Heritage Application Form must be submitted to the Land Use Management Department of the City of Kelowna. The application form can be accessed on-line or from the 2nd floor front counter staff at City Hall.

If the property is *not* Designated, the applicant must indicate on the application form that Heritage Designation is being sought as well as a Heritage Alteration Permit. If the property is already Designated, then the applicant only need to indicate a Heritage Alteration Permit is being sought.

The application must include the following materials and documentation:

1. Completed Heritage Application Form with State of Title, Letter of Authorization, Colour Photographs, Copies of Elevations, Copies of Site plans, and Copies of Floor Plans as required in the application form.
 2. Application fee as per Development Application Fees Bylaw No. 8034.
 3. Project estimates from at least 2 qualified contractors, with explanation of how the work relates to heritage conservation of the subject property. Please refer to the "Statement of Significance" for the property in explaining the relevance of the conservation work, and any other heritage or historical documentation related to the property.
 4. Tax Certificate
- c) Staff will circulate the heritage application to various departments and Council Committees for comment. The Community Heritage Commission will be asked to provide comments on how the proposed restoration or rehabilitation project will impact the heritage value of the building under application and whether or not the proposed project will provide an overall benefit to the community.
 - d) Staff will evaluate the proposal based on the following criteria:
 - Level and quality of heritage conservation work proposed.
 - Heritage value of building, based on Heritage Register evaluation.
 - Relationship of building to groupings of heritage buildings, to neighbouring properties, and/or to neighbourhood.
 - Relationship to other heritage conservation projects being undertaken.
 - Compliance with the Official Community Plan, design guidelines, conservation standards and principles, and relevant bylaws.
 - Amount of incentive being sought as a proportion of capital investment (those projects proposing higher level of private investment will be considered more favourably).
 - e) Staff with the Revenue Manager will prepare an exemption agreement report, recommendation and Alternative Approval Process(if required) for Council based on the proposal.

*NOTE: Not all applications will require an Alternative Approval Process. (see Section 175 of the Community Charter)

F. PROCEDURE (CON'T)

The Exemption Agreement will include:

- i) require the eligible property to be subject to to covenant under section 219 of the Land Title Act in favour of the municipality;
 - ii) provide that the exemption is subject to specified conditions;
 - iii) provide that, if
 - a) a condition is not met;
 - b) a required covenant under section 219 of the Land Title Act is discharge, or
 - c) any other circumstances specified in the agreement occur, the property owner must pay to the municipality an amount determined in accordance with the agreement.
- f) The amount of the municipal tax exemption will be limited to the lesser of the estimated amount as approved by council in advance of the project work and the amount as certified upon project completion.

The bylaw will:

- i) stipulate the sum of the tax exemption to be spread over each year of the 10 year term.
 - ii) be adopted after notice has been given under accordance of Section 94 of the Community Charter;
 - iii) be adopted with an affirmative vote of at least 2/3 of all council members
 - iv) and does not apply to taxation in a calendar year unless it comes into force on or before October 31 in the preceding year.
- g) Applicants should anticipate a processing time of between 8 to 10 weeks; however, the City is not responsible for delays in processing caused by incomplete applications.
- h) Upon completion of the approved rehabilitation work, submission of all project costs certified correct by either a public accounting firm or a professional quantity surveyor. If the final costs are less than the original estimate, the tax exemption will be reduced to reflect the lesser amount. Should the final costs exceed the original estimate; the original exemption approved by Council will apply unless the applicant wishes to return to Council to alter the amount.
- i) Once final costs have been established, planning staff will notify the financial services department that the tax exemption may be implemented, as per 4.0(b).

REASON FOR POLICY

To provide direction to the public and City staff in administering Heritage Building Rehabilitation Tax Incentive Program Policies and Procedures for Commercial, Industrial and Institutional Buildings on the Kelowna Heritage Register.

LEGISLATIVE AUTHORITY

Community Charter Sections 25, 175 & 225

PROCEDURE FOR IMPLEMENTATION

As outlined in the policy.