



Investing in Heritage: Municipal Tax Back Grants

Municipalities across the province use a variety of tools to assist owners to protect heritage properties and invest in their conservation and rehabilitation. One such tool is found in the Ontario Heritage Act.

The Act not only provides for recognition and protection of heritage property through designation, it also empowers municipalities to make grants and loans to designated property owners to conserve their properties.

Municipal Powers

Municipalities can also use their power under the Community Improvement Plan provisions of the *Planning Act* to provide grants to conservation/rehabilitation projects in defined Community Improvement Areas (*Planning Act*, Subsection 28 (7)).

Under Sections 39 and 45 of the *Ontario Heritage Act*, municipal councils are authorized to pass by-laws providing for a grant or loan to the owner of any property that has been designated by by-law under Part IV (individual property designation) or Part V (heritage conservation districts). Subsection 39 (1) states that: "*The council of a municipality may pass by-laws providing for the making of a grant or loan to the owner of a property designated under this Part for the purpose of paying for the whole or any part of the cost of alteration of such designated property on such terms and conditions as the council may prescribe.*"

Municipalities can also use their grant making powers under the *Ontario Heritage Act* and the *Planning Act* to provide grants to owners of designated property for a limited period of time to offset a municipal property tax increase which has resulted from the alteration, repair or renovation of the property.

Note: Section 365.2 of the *Municipal Act, 2001* gives municipalities the option of passing a by-law to establish a local program to provide property tax rebate or relief (10 to 40 per cent) to owners of heritage properties. To be eligible, properties must have been designated under Part IV or V of the Ontario Heritage Act and/or subject to a heritage conservation agreement. Please refer to the guide "*Getting Started: Heritage Property Tax Relief – A Guide for Municipalities.*"

Tax Back Grants for Designated Properties: How Do They Work?

Some municipalities, including Cobourg, Kitchener, London and Perth, have used these powers to provide "Conditional Heritage Grants" or tax back grants to qualifying property owners. The grant is equal to the amount of the annual increase in the municipal portion of the real property taxes for such property that is the direct result of a re-assessment arising from an approved restoration/rehabilitation project. The amount of the grant is calculated to match the increase in property taxes that would result from improvements to the heritage property.

The municipality and the property owner sign an agreement that the municipality will freeze the amount of property tax at the pre-restoration/rehabilitation level for a number of years. The owner agrees to apply the total amount of this "grant", i.e. difference between the pre- and post-restoration/rehabilitation levels, to the designated property's restoration/rehabilitation. A municipal by-law is required to enact such a tax back grant program.

For more information, please call the Ministry of Culture at (416) 212-0644 or Toll Free at 1-866-454-0049 or refer to the website at www.culture.gov.on.ca.

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Tax Back Grants usually apply to properties designated under the Act, individually or in districts. Grants can be made to any owner of designated property, including owners of designated property within a defined area such as a heritage conservation district or community improvement area, who makes an application or request for the grant and complies with the requirements or conditions set out by the municipality.

For example, in the Town of Cobourg the tax back grants are available to property owners in the town's Commercial Core Heritage Conservation District and are calculated by providing a credit against the property owner's real property taxes annually for a maximum period of time, usually 10 years. The grant applies only to an increase in real property taxes that arises directly from approved restoration projects and does not apply to an increase in taxes that arises from mill rate increases, additions to buildings or structures or other types of improvements.

The administrative process would be either to retain the original tax rate for a period of time or to increase taxes to the full amount and return the difference in the form of a grant in lieu of the tax increase.

Tax Back Grants: Conditions

A Tax Back Grant program can include conditions. The Act allows council to prescribe terms and conditions for the payment of the grant. Conditions may apply, for example, if a property is sold, transferred or otherwise disposed of within a defined period of the making of the grant. In the Cobourg example, the total of all grants made by a municipality to the date of the sale or transfer of the property for which a grant has been made will automatically become a Repayable Loan, payable by the property owner to the municipality. In the event that real property or business taxes are not paid in full by the end of the year in which a property has received a grant, the grant for that year will become a Repayable Loan. Grants converted to repayable loans are then maintained in a special account and used to finance other heritage grants.

The grant must be used for the purpose, and only for the purpose, of paying for all or part of the cost of approved "alteration" of the designated property. The grant amount provided to the property owner will be based upon the increase in municipal taxes as a result of an increase in assessment. The grants have the effect of deferring the full amount of taxes that would otherwise be due as a result of the re-assessment. In practice, no money changes hands.

Tax Back Grants: Eligibility

A municipality may determine one or more levels of eligibility for Tax Back Grants. Priority buildings are those designated under the *Ontario Heritage Act* and rehabilitated or restored in such a way that would not compromise the "reasons for designation," or ,in the language of the recent amendments to the Act, the "heritage attributes" which are particular features that should be protected for the future and are outlined in the *description of heritage attributes*.

For an example of eligibility requirements, please see the City of London's Downtown Rehabilitation and Redevelopment Grant Program.

Tax Back Grants: Community Benefits

Tax Back Grant programs are based on sound public policy that is embodied in the *Ontario Heritage Act* and the *Planning Act* to conserve and protect significant heritage property, places and districts.

The objective of deferring or rebating a property tax increase via tax back grants for a limited period of time after a building is restored or rehabilitated is to attract property owners and developers to target these significant older structures for heritage sensitive development. Except for administrative costs, a Tax Back Grant program does not incur new costs on the municipality. This mechanism can work even in small municipalities with modest municipal staff and resources.

With such a program in place, a municipality does not receive any increase in property tax resulting from the renovation of a designated property until the deferral period (five to 10 years) is completed. If this property were not renovated, however, there would be no increase in property taxes in any event.

Benefits to a municipality from such a tax back grant program

- Increase economic activity and job opportunities in construction work;
- Convert underused or vacant structures into fully functional properties;
- Contribute to community revitalization;
- Contribute to stable neighbourhoods and property values;
- Stimulate the rehabilitation or renovation of existing buildings;
- Ensure the protection and usefulness of the municipality's priority heritage properties.

The conservation of our heritage properties, places and districts is a means of making our municipalities and communities more attractive and more liveable. Places considered "liveable" are appealing places to do business and to promote as tourist destinations. It's worth the investment!

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