



PO Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

## Item No. 5

**Halifax Regional Council  
March 25, 2008  
Committee of the Whole**

**TO:** Mayor Kelly and Members of Halifax Regional Council

**SUBMITTED BY:**

A handwritten signature in dark ink, appearing to read "Dan English".

Dan English, Chief Administrative Officer

A handwritten signature in dark ink, appearing to read "Wayne Anstey".

Wayne Anstey, Deputy Chief Administrative Officer - Operations

**DATE:** March 17, 2008

**SUBJECT:** Financial Incentives: Proposed Barrington Street Historic District

### ORIGIN

- January 2006: Council review of Barrington Street Historic District Revitalization Plan and subsequent referral to staff regarding costs and implications of proposed financial incentives.
- November 2007: Information Report to Council regarding engagement of consultant (Halifax Global) to estimate total cost of restoring and renovating buildings in the proposed historic district, survey the readiness of building owners to invest, and recommend how HRM can most effectively structure the financial incentives to encourage and trigger the needed private investment.
- Consultants study completed in March 2008.

### RECOMMENDATION

It is recommended that Council approve in principle a financial incentives program to support revitalization of the Barrington Street Historic District, estimated at approximately \$3 million over five years, as outlined in the budget implications section and consisting of three components:

- C Grants, estimated at \$1 million over 5 years
- C Tax Credits, estimated at \$2 million over 5 years
- C Permit fee Waivers

## **EXECUTIVE SUMMARY**

The concept of financial incentives to trigger private investment in heritage building restoration on Barrington Street is a crucial component of both the Barrington Street Historic District revitalization Plan and the new Downtown Plan being prepared through HRM by Design. Staff propose an incentives program comprised of grants, tax credits, and permit fee waivers.

- C Grants would provide 50% cost sharing for projects below \$200,000 in value.
- C Tax credits would assist projects over \$200,000 at a rate of 15% of the cost of eligible work.
- C A consultants study completed in March 2008 has estimated a likely participation rate of 72% of building owners, representing 30 buildings, and totalling about \$14-18 million in likely investment over the next 5-10 years if the incentives program comes into effect.
- C The estimated cost of the program would be about \$3 million, comprised of \$1 million in grants and \$2 million in tax credits spread over 5 years.
- C This represents a public/private leverage ratio of 1:5.
- C Staff are requesting that Council approval this program in principle so that it can be included in draft plans for Barrington Street and HRM by Design scheduled for public consultation in April 2008 and formal adoption by Council in Summer 2008.

## **BACKGROUND & DISCUSSION**

### ***Evolution of Historic District Plan and Integration with HRM By Design***

The proposal to establish the Barrington Street Historic District and implement financial incentives dates back many years and was recommended in several background studies including *Downtown Barrington: A Strategy for the Rejuvenation of Barrington Street*, by David Garrett Architects, 1998 and *Barrington Street Heritage District*, by Ekistics Planning & Design, 2003. Council made a decision to move ahead with establishing the district in 2003, and a draft plan was developed after a two year consultation process by the Barrington Street Historic District Steering Committee.

Since the Committee delivered its draft plan in early 2006, the project has been integrated with HRM By Design and the new Downtown Halifax Secondary Planning Strategy which is currently being developed by staff and consultants. The draft Downtown Secondary Planning Strategy and the draft revised Barrington Street Historic District Revitalization Plan are scheduled for public discussion in April 2008 and consideration for adoption in Summer 2008.

### ***The Need for Incentives and the Need for Council Endorsement In Principle***

Financial incentives are a critical component of the proposed Barrington Street Historic District Revitalization Plan. Along with public realm improvements and marketing initiatives, the incentives

will counterbalance the regulatory aspects of the plan, which include strengthened demolition control, height limitations, and design guidelines for new development. Without financial incentives, Barrington Street property owners are unlikely to support the new regulatory framework or invest significantly in renovating and restoring their buildings.

The successful establishment of the Barrington Street Historic is also a critical component of HRM By Design and the new Downtown Halifax Secondary Planning Strategy currently being prepared. The proposed financial incentives program is an integral part of an overall program of strengthened heritage protection for downtown Halifax, reduced building heights in support of heritage preservation, and streamlined development approvals.

Council's endorsement in principle will enable staff to include policies and proposals for financial incentives in the documents to be prepared for public discussion in April and formal recommendation to Council in Summer 2008.

***Findings of Consultant's Study***

The consultants study, completed in March 2008, highlights the following points:

- C      The likely participation rate among property owners is 72%, with these owners representing 30 buildings with estimated renovation project costs ranging from \$60,000 to \$7.5 million and totaling about \$14-18 million of likely investment within the next 5-10 years if an incentives program of grants and property tax credits comes into effect.
- C      The overall program cost to stimulate this investment over 5 years would be \$550,000 to \$800,000 in grants and \$2 to \$2.4 million in tax credits .
- Of the 30 buildings whose owners expressed interest in investing in restoration, 22 are referred to as "minor projects" with estimated restoration costs between \$60,000 and \$220,000, while 8 are "major projects" with estimates between \$600,000 and \$7.5 million.
- Owners will only be prepared to invest in restoration if there is a viable business case for doing so, i.e., if they can realize higher income after the redevelopment.
- In some cases, the business case depends on being able to expand the rentable floor space to achieve the critical mass necessary for commercial viability, i.e, by building upwards.
- Commercial viability also depends on competitiveness and attractiveness to tenants and can be enhanced by exterior restoration, improved energy efficiency, and upgraded interiors.
- There has been a significant turnover of properties on Barrington Street in the past 5 years, and there are number of new owners currently considering their renovation options.

- Overall, approximately 15% of the total renovation project costs are attributable to restoration of historic architectural features.

***Structure, Authority & Rationale for Proposed Incentives***

The Heritage Property Act, s.22(1) enables Council to “*provide financial assistance in respect of municipal heritage property or property located in a heritage conservation district to any person to assist in the restoration or renovation of such property upon such terms and conditions as ... council ... deems fit*”.

The proposed financial incentives program for Barrington Street is structured around grants, tax credits, and permit fee waivers, as follows:

**1. Grants**

Grants would apply to exterior restoration work only up to \$200, 000 in value, and would cover 50% of project costs up a maximum grant of \$100,000. This would apply to storefront restoration, upper facades, windows, doors, roofs and any other aspect of the exterior building envelope, as well as signs and awnings. While most grants would be much less than the \$100,000 maximum (i.e., for the numerous “minor projects” identified by the consultants), this figure recognizes that there will be a number of “major projects” that will need this level of funding, particularly for exterior restoration of upper facades on large buildings, which can be very expensive.

As stated above, Halifax Global estimated the cost of the grant program at between \$550,000 to \$800,000 over 5 years. However, prior to this study, staff had proposed -- based on a staff estimate of necessary storefront and facade work on Barrington Street -- a grant program of \$1,450,000 over 5 years. Therefore, in light of the Halifax Global estimate, a program in the range of \$1,000,000 over 5 years (i.e. \$200, 000 per year) may be appropriate.

This grant program would supercede the existing Heritage Incentive Program within the Barrington Street Historic District for its five year duration.

**2. Tax Credit**

In considering how to structure the tax incentive, staff looked at heritage incentive programs in other Canadian cities. This included Vancouver, where the city has a very generous program that combines 100% tax relief and density transfer, and various cities in Ontario (as well as New Brunswick, PEI, and Newfoundland) where any increased taxes due to building renovation are forgiven on a sliding scale over a period of years. Based on this research and an understanding of the particular circumstances of Barrington Street, staff concluded that a “tax credit” approach similar to that used in Winnipeg and Regina is best suited to the Barrington Street context. In this approach, the tax credit is based on a percentage of the actual costs of restoration and renovation and is thus more transparent than the assessment approach, more directly related to specific work, and more directly accountable in terms of public expenditure. It also provides greater certainty for the owner/investor. The consultant’s study has indicated that an appropriate rate for the Barrington Street heritage restoration tax credit would be 15%.

Tax credits would therefore apply to 15% of exterior restoration costs over \$200,000 (the first \$200,000 being cost-shared at 50% through the grant program) and 15% of the cost of interior renovation work that supports the long term viability and sustainability of the heritage building, including work for: structural improvements, code compliance, improvements to building envelope, energy efficiency, HVAC, other central building systems, or public circulation areas - lobbies, staircases, elevators, washrooms, etc. Tax credits would NOT apply to tenant improvements in leased spaces.

The estimated cost of the tax credit component is \$2.0 - 2.4 million. The incentive program would run for five years and would be periodically reviewed for its effectiveness.

Draft eligibility criteria for the grant and tax credit program are included in Attachment A

### **3. *Permit Fee Waiver***

Application fee waiver is a common form of heritage incentive in other cities and acts as a further encouragement to building owners to participate in the incentives program. Its cost will be small in relation to HRM's total revenue from application fees. If every building owner participates in the program, the estimated value of restoration work in the district could be in the order of \$14 million. The building permit fee is \$5.50 per \$1000 of construction value, so \$14 million would generate building permit fees of \$77,000 over the 5 year period, or roughly \$15,000 per year. This comprises a fraction of 1% of HRM's total revenue from building permits.

The waiver would be limited to building and sign permits only, as these relate directly to the exterior restoration and interior structural improvements that the plan encourages. Fees for other permits, for work with a lesser degree of visible impact on the public realm, such as plumbing, streets and services, and encroachment permits should continue to be collected, along with sewer redevelopment and regional solid waste charges. (Such fees typically comprise roughly one half of all permit fees collected on Barrington).

### ***Cost & Benefits (see also Budget Implications below)***

As stated previously, the overall estimated program cost is \$1 million in grants (funded from general revenue) and \$2 million in tax credits (in the form of loss of new revenue), for a total of roughly \$3 million in public investment spread over 5 years, subject to annual budget approval.

While this would comprise a short term cost to the municipality, it would leverage \$14 to \$18 million in private investment - an attractive leverage ratio of about 1:5 - and would benefit the public by creating visible improvements to the street within a relatively short time frame, greater commercial viability with upgraded buildings attracting higher rent tenants, and long term improvements to the tax base. The economic "ripple" or "multiplier" effect would impact all of HRM.

### ***Implementation***

If the Historic District Revitalization Plan is adopted in Summer 2008, the grant and tax credit program would roll out as follows:

Fall 2008	Terms & Conditions finalized and approved by Council. Program actively promoted. Property owners invited to apply to 2009/10 grant program. Eligible projects in progress at the time of adoption of the Revitalization Plan or commenced thereafter, may also apply to the 2009/10 grant program.
Mar / April 2009	Budget for 2009/10 Grant Program approved; Barrington Street Heritage Financial Incentives program begins.
Oct 2009 & on-going:	Grants are paid out for work completed (in 2009/10 & on-going).
Mar / April 2010:	Budget for 2010/11 Grant and Tax Credit Programs approved; First Tax Credit applied to Tax Bills (or provided as payment to owners).

***Conclusion***

Staff are seeking Council's approval in principle for the incentives program so that it may be confidently included in the draft Barrington Street Historic District Revitalization Plan scheduled for public discussion in April, 2008 in concert with HRM By Design.

The proposed incentives program and proposed levels of funding have been reviewed and endorsed by the Tax Reform Committee, the Barrington Street Historic District Steering Committee, and the Urban Design Task Force.

The proposed incentives program is uniquely tailored and limited to the Barrington Street Historic District and is not necessarily a template for incentive programs in other districts.

**BUDGET IMPLICATIONS**

***Fiscal 2008/09***

There are no budget implications for the current fiscal year as the incentive program will not become operational until 2009/10.

***Fiscal 2009/10 (Grant program becomes operational)***

A grant budget in the amount of \$200,000 (one fifth of estimated total of \$1,000,000) would be included in the 2009/10 budget for consideration by Council under the normal budget approval process. This figure may be adjusted up or down depending on grant applications received prior to March 2009. Staff will recommend appropriate funding sources at that time.

Given that the tax credit component of the program will become operational in 2010/11, staff will also provide recommendations regarding how this is to be budgeted for in terms of existing revenue and postponed revenue.

***Fiscal 2010/11 (Tax Credit program becomes operational)***

In addition to a grant budget, a tax credit budget would also be presented for consideration by Council. The recommended amount of this budget would be based on 15% of the value of eligible work carried out in 2009. Based on consultants estimates, this is expected to be in the range of

\$400,000. Again, sources of funding will be recommended at that time within the framework of overall budget deliberations.

***Fiscal 2011 - 2014***

The level of funding in years 3 - 5 will depend on the anticipated demand, based on the degree of participation in years 1 & 2. Funds may be allocated from the same sources as Years 1 & 2 or from other sources subject to future recommendation by staff and approval by Council.

**FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN**

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

**ALTERNATIVES**

1. Council could approve a lower level of funding for the incentives. This is not recommended because the proposed levels of funding have been arrived at through an analysis which suggests that they are what is necessary to trigger the needed private investment. The proposed funding is estimated to attract a 72% owner participation rate and a public/private leveraging ratio of 1:5. Lowering the funding risks losing this potential.
2. Council could approve a pay out of the tax credit at up to 50% of the total property tax bill, rather than 100% of the bill. This would smooth the revenue impact of larger projects over a longer period of time. It is estimated that this would reduce revenue losses by \$100,000 to \$200,000 per year, by extending the period over which that tax credits on larger projects would be paid out. Total program costs would not change, just the cash flows on some major projects.

Note: Alternatives 1 and 2 are not mutually exclusive.

**ATTACHMENTS**

ATTACHMENT A: Barrington Street Historic District Financial Incentives Program  
Draft Terms & Conditions, Eligibility Requirements & Priority Criteria

Note: These are included for reference but are subject to further refinement and subsequent approval by Council.



A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/agenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

**Report Prepared by:** Bill Plaskett, Heritage Planner, Community Development, Heritage& Design, 490-4663

**Report Approved by:** Jacqueline Hamilton, Supervisor of Heritage & Design, 490-5685



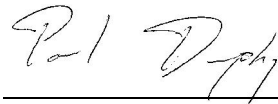
Austin French, Manager of Planning Services, 490-6717

**Financial Approval by:**



Catherine Sanderson, Senior Manager, Financial Services, 490-1562

**Report Approved by:**



Paul Dunphy, Director of Community Development

**ATTACHMENT A**

**DRAFT**

**BARRINGTON STREET HISTORIC DISTRICT  
Eligibility & Priority Criteria and Conditions for Grants and Tax Incentives**

**GENERAL CONDITIONS**

**Program Aim**

The Barrington Street Heritage Incentives Program (the Program) is administered by the Heritage Property Program (Community Development department) to encourage restoration and renovation of buildings in the Barrington Street Historic District. Within the limits of the annual approved budget, the Program provides matching grants for exterior restoration work up to \$200,000 in value and tax credits for exterior restoration work over \$200,000 and interior restoration and renovation work that contributes to the ongoing functional viability of the building.

**Operational Criteria**

The Program operates on a fiscal year basis from April 1<sup>st</sup> to March 31<sup>st</sup>.

**Application Requirements**

- Applications will be accepted between November 1<sup>st</sup> and March 1<sup>st</sup> and may be submitted to:

HRM Heritage Property Program  
P.O. Box 1749, Halifax, NS B3A 3J5  
or by hand delivery to:  
Heritage Property Program  
Community Development

- Email or faxed applications will not be accepted.
- Late or incomplete applications will not be reviewed.

**Applications must include:**

- A completed application form.
- Recent photographs of the building with close-ups of the areas of work for which the grant or tax credit is applied for.
- Architects plans for all projects which exceed \$5000 in value
- Two contractor estimates for the proposed work.

**Eligibility of Property**

- Property must be located in the Barrington Street Historic District.
- Property owner must be in good standing with HRM and shall not have unpaid taxes or any other legal claim outstanding.
- Preference given to registered heritage buildings.

- Preference given to buildings in poor condition and at greatest risk of deterioration or loss.
- Non-contributing buildings are also eligible where proposed work reflects the heritage character of the streetscape, enhances compatibility with adjacent heritage buildings and complies with design guidelines for the historic district.

## **GRANTS**

Grants may be made for exterior work only, on the following building components

- C Storefronts
- C Signs
- C Awnings
- C Upper facades
- C Roofs, including chimneys
- C Foundations

## **Eligible Work & Materials**

Projects which restore exterior architectural elements significant to the exterior heritage character of the building, including any of the following:

- **Preservation** and repair of existing architectural elements including exterior walls, windows, doors, storefronts, cladding, sills, lintels, masonry repair and repointing, roofing, chimneys foundation, cornices, mouldings, parapets, architectural trim, and other significant exterior features.
- **Replacement** of exterior architectural features which still exist but which are beyond preservation or repair. This includes replacement in kind of deteriorated exterior walls, windows and doors, storefronts, cladding, sills, lintels, masonry repair and repointing, roofing, chimneys, foundation, cornices, mouldings, parapets, architectural trim, and other significant features, using accurate reconstruction and materials, sizes, and configurations that match the original.
- **Restoration** of significant architectural features which have been lost but for which the appearance can be clearly determined from physical evidence or documentary sources such as historic drawings or photographs.
- **Painting** in colours appropriate to the period of the heritage property. Generally, colours from the heritage palette of the major paint manufacturers are preferred.
- Projects must use traditional materials (wood, stone, brick, etc.) and traditional design.

## **Ineligible Work & Materials**

- Modern materials such as vinyl or aluminum clad windows, steel doors, vinyl siding, or EFIS cladding.
- Short-term, routine maintenance, including minor repairs to non-original siding or roofing
- Poor or defective work.
- Work carried out prior to submission of the application (except by special arrangement).
- Owner Labour.

## **Project Evaluation**

Projects will be evaluated under the Barrington Street Historic District Design Guidelines.

**Priority Criteria**

- Preference given to preservation and restoration of historic structural and weatherproofing elements than to cosmetic improvements, e.g., restoration of cladding, windows, doors, or roof has greater priority than painting.
- Preference given to restoration of publicly visible features, e.g., an application for restoration of a front facade would have higher priority than a facade facing an interior light well.

**Application Review Process**

- Applications will be screened for basic eligibility as they are received. Applicants will be notified promptly if their application is ineligible.
- Eligible applications will be reviewed and evaluated by Heritage staff in consultation with the Heritage Advisory Committee in March.
- Notification of approval or rejection will be mailed to applicants in April.
- Approval of grants will be conditional on approval of program budget and available funds.
- Due to limited funds, not all eligible applications may receive approval.

**Maximum & Minimum Grants & Multiple Applications**

- Grants are awarded on a 50% cost-sharing, matching grant basis.
- The maximum overall grant: \$100,000.
- Maximum grant per storefront: \$15,000 (buildings with more than one storefront may receive more than one grant).
- Maximum grant for storefront signs: \$3000 per storefront.
- Maximum grant for awnings: \$1000 per storefront
- The minimum grant: \$1000.
- All grants will require approval by Council.

**Conditions of Approval & Payment of Grant**

- Projects must be completed within the fiscal year for which they are approved except by special agreement.
- Grant payment is conditional on satisfactory completion of approved work, photographic documentation of completed work, and submission of receipts and paid invoices.
- Deadline for submission of receipts and paid invoices is March 15<sup>th</sup>. This is necessary to enable grant payments to be processed by end of fiscal year.
- Grant funding for projects not completed by the end of the fiscal year will be forfeited except by special agreement.
- Grants are tied to specific approved work. Additional work beyond what is budgeted for and approved will not be funded.
- The applicant shall notify HRM of any changes to the approved work prior to it being undertaken and shall not proceed with the work without supplementary approval by staff. Work that deviates from the approved work without a supplementary approval may not be eligible for funding and, at the discretion of HRM, such funding may be withheld and re-

- allocated to another property in the historic district.
- Grants over \$10,000 (and tax credits see next section) are conditional on owner entering an agreement with HRM to maintain the building and not apply for demolition for twenty years. The agreement runs with the land and shall be filed at the Land Registration Office/Registry of Deeds.

### **Appeals**

- Refusal of a grant application or withholding of an approved grant payment may be appealed by the applicant within fourteen days of written notification of the decision.
- Appeals shall be in writing, addressed to the chair of the Heritage Advisory Committee c/o the Heritage Property Program and shall give reasons for the appeal.

### **TAX CREDITS**

Tax credits may be approved for the following types of work :

#### ***Exterior Work Eligible for Tax Credit***

- C Exterior restoration work on existing buildings which meets the eligibility requirements for grants (see above) but which exceeds \$200,000 in value.
- C Exterior structural walls, cladding, windows, doors, and roofing on new rooftop additions. This may include contemporary design and materials approved under the Historic District Design Guidelines, to the extent that the Guidelines lead to additional construction costs.

#### ***Interior Work Eligible for Tax Credit***

- Restoration of historic interior features or finishes located in common, publicly accessible circulation areas.
- Renovations needed to meet building code and fire safety requirements.
- Renovation of central building systems including plumbing, heating, ventilation, and air conditioning (HVAC), electrical or telecommunication systems.
- C Renovation of common interior circulation areas including lobbies, hallways, staircases, washrooms, elevators and lift devices.
- Energy efficiency improvements including renovations to building envelope.
- Structural repair, including structural improvements required for rooftop additions.
- Restoration of historic interior features or finishes located in spaces leased to tenants (in special cases).

#### ***Ineligible Work***

- Renovation of spaces leased or rented to tenants (i.e. leasehold improvements).
- Renovation of storage areas.
- Any interior work within rooftop additions, including structural, plumbing, HVAC, electrical or telecommunication systems.

#### ***Priority Criteria.***

- Preference to buildings with a history of under-utilization of existing capacity due to deterioration, interior configuration, or lack of access.
- Preference to projects retaining/restoring interior features or fixtures of historical significance.

#### ***Calculation and Payout of Tax Credits***

- C Tax credits will be calculated on the basis of 15% of the value of eligible work.
- C All Tax Credits will require approval by Council.
- C For minor projects, tax credits will be applied against taxes due in the fiscal year following completion of eligible work.
- C For multi-year projects, tax credits will be calculated (and applied against taxes due) based on the amount of eligible work completed in the prior year.
- C Tax credits may be paid out to the property owner in the form of a grant equivalent to the credit following payment in full of all applicable taxes.

### **OUTCOME MEASURES**

The success and effectiveness of the grant and tax incentive program would be measured in relation to the following outcomes.

- Number of storefront restorations
- Number of sign improvements
- Number of new awning installations
- Number of facade restorations
- Number of interior improvements
- Number of applications in relation to program estimate of 19 property owners
- Value of applications in relation to program estimate of \$14 million
- Value of investment leveraged from private sector
- Increase in occupancy and total rental revenues
- Increase in assessment and tax revenues
- Improvement in overall streetscape cohesiveness
- Public perception/media coverage of improvements