



# City of Nanaimo **Heritage Building Tax Exemption Program**

## **Application Guidelines & Procedures**



### **Questions?**

For more information, please contact the City of Nanaimo's Culture & Heritage Planner at 250-755-4483 or [chris.sholberg@nanaimo.ca](mailto:chris.sholberg@nanaimo.ca).

Last updated: June 2016

## Program Purpose

The Heritage Building Tax Exemption Program has two main goals:

1. to encourage new residential units; and
2. to preserve heritage buildings in the Downtown Core.

The program evolved from recommendations made in two studies: the *Downtown Nanaimo Revitalization Study* completed by the National Main Street Centre and the *Downtown Residential Conversion Project Action Plan* completed by Catherine Umland and Associates. In both documents, a key downtown revitalization strategy strongly supported by downtown community stakeholders was the enhancement of Downtown Nanaimo's economic health through residential development. This strategy emphasizes quality residential conversion of existing buildings to attract people to live and work downtown, thereby creating a built-in and sustainable market for a wide variety of commercial services. Benefits of downtown residential conversion include more choice and affordability in housing options, increased downtown safety with "eyes on the street" on a 24-hour basis, and rehabilitation of existing building stock.

**About Non-Residential Projects:** The City recognizes that not all downtown heritage buildings may be suitable for residential use. Properties located on major traffic arteries, next to an incompatible use, or that have a spatial configuration that does not lend itself well to residential use, would be cases in point. Nevertheless, the City wishes to preserve its historic building inventory and to encourage the creative and economic use of heritage buildings. Therefore, applications for tax exemption may be considered by City Council for heritage rehabilitation projects that do not include new residential uses provided the project meets the following downtown revitalization objectives:

- Interior improvements will fill vacant and/or underutilized commercial spaces (i.e. a specific tenant can be identified). Furthermore, the proposed use of the building and tenancy must meet the objectives of the *Downtown Nanaimo Business Improvement Association Attraction Strategy* and provide clear and substantiated benefit to a revitalized downtown neighbourhood.
- The total cost of the project represents a significant investment by the property owner in relation to the total value of the property (e.g. in excess of \$200,000 or 25% of the total pre-renovation value of the property).
- Exterior building improvements meet or exceed the City's *Downtown Design Guidelines* and Parks Canada's *Standards and Guidelines for the Conservation of Historic Places in Canada* and will enhance the streetscape;
- Structural and building code improvements will enhance the building's condition, safety and ongoing commercial viability.

In all cases, applications for non-residential projects shall be considered exceptions to the regular tax exemption program, and be evaluated on a case-by-case basis with due consideration to the merits of the business case and the rehabilitation work proposed.

## Program Eligibility

Eligibility for tax exemption under the program is limited to heritage buildings located in Heritage Conservation Area #1. The Community Charter stipulates that local governments can only provide financial assistance to buildings with heritage value and protected heritage status. **The list of eligible properties is attached as Schedule A.**

## Program Details

The following information identifies the formula for calculating tax exemption and the conditions under which a tax exemption will be granted:

- ❑ Section 225 of the Community Charter gives municipalities the authority to grant tax exemptions for heritage buildings. The term of exemption possible under this program is linked to the cost of seismic/building code/sprinkler/façade upgrade work required and can be determined by applying the following calculation:

$$\text{Term of exemption (}\# \text{ of years)} = \frac{\text{Cost of seismic/building code/sprinkler/façade upgrade (up to 35\% of total construction cost)}}{\text{Current Taxes}}$$

### Current Taxes

Following project completion, property tax will be fully exempted for the specified number of years (10 years is the maximum eligible term). The actual value of the exemption will be determined by the property's post-conversion assessed value and tax rate for each year. A tax exemption bylaw example is attached as Schedule B.

### Example

*A proposed residential conversion will require \$100,000 worth of seismic/building code/sprinkler/façade upgrading. This is less than 35% of the project's total construction cost which is estimated at \$500,000. The property owner currently pays \$10,000 per year in property taxes. The maximum eligible term of exemption, which City Council may approve, is therefore:*

<i>Seismic/Building code/Sprinkler/Façade Upgrade Cost</i>	<i>\$100,000</i>	<i>=</i>	<i>10 years</i>
<i>Current Annual Taxes</i>	<i>\$10,000</i>		

- ❑ During the term of the tax exemption bylaw, the tax exemption amount received by the owner must be repaid to the City if the heritage building is destroyed or altered without proper authorization under the requirements of the heritage protection of the property (other than by a natural disaster), or if the heritage conservation covenant is rescinded by Council at the request of the owner.
- ❑ The seismic/building code/sprinkler/façade upgrade must comply with all City bylaws and policies. A heritage alteration permit is required where upgrade work results in exterior structural alterations to the building. The external improvements (including additions) must follow the guidelines set out in the City's *Downtown Design Guidelines* and Parks Canada's *Standards and Guidelines for the Conservation of Historic Places in Canada – Second Edition, 2010*.
- ❑ A tax exemption will not be given retroactively (i.e. work must not commence until the tax exemption is approved in principle).
- ❑ The building alteration must be substantially underway within six months of the tax exemption approval in principle and completed within one year.
- ❑ All property taxes, business licenses, and user fees must be paid in full before approval in principle is given.
- ❑ Variations from the original construction plan, bylaw infractions or poor quality work may result in rescinding of the tax exemption approval.
- ❑ Upon completion of the work, final inspection and confirmation of adherence to all bylaws and receipt of all final invoices, and registration of a heritage conservation covenant, the tax exemption bylaw shall be adopted by Council. A property tax exemption bylaw must be referred to the City's Finance Department by

September 1, and adopted by Council no later than October 31, in order for tax exemption to be applied in the following year. If this deadline is missed, the bylaw will be referred to the Finance Department for consideration in the following year. The tax exemption period will always begin the year following Council's adoption of the tax exemption bylaw.

- ❑ In order to protect the interests of the community, a Heritage Conservation Covenant will be required to be placed on the property to ensure the building's long term protection. Although not required, Heritage designation will also be encouraged. Heritage designation will be required by any property owner wishing to take advantage of future heritage building income tax incentives being proposed by the Federal Government, under the Historic Places Program. An example of a Heritage Conservation Covenant and Heritage Designation Bylaw are attached as Schedules C and D.
- ❑ Any changes or upgrades made to the structure of the building due to residential conversion must comply with the BC Building Code and the City's *Building Bylaw*.
- ❑ An entire building may be converted to residential use including the building's first floor. However, it should be noted that conversion of the first floor must be permitted under the *Downtown Plan* and zoning. It should also be noted that partial floor conversion will not qualify for the tax exemption incentive.

## Program Coordination

The program is coordinated by the City's Culture and Heritage Department through the Heritage Planner 250-755-4483. The Heritage Planner will guide residential conversion projects through all required approvals.

## Application Process

Applications are reviewed by City Staff based on evaluation criteria outlined in Schedule E. Recommendations for tax exemption approval are ultimately forwarded to Council for approval-in-principle. The following flow chart summarizes the entire application process and time frame:



# Schedule A

## Eligible Heritage Buildings Located in Heritage Conservation Area #1

**70-76 Bastion Street**  
(B.C. Telephone Exchange)

**121 Bastion Street**  
(Commercial Hotel)

**133-141 Bastion Street**  
(Eagle's Hall)

**25 Cavan Street**  
(Provincial Liquor Store)

**41 Chapel Street**  
(Shaw Residence)

**2-4 Church Street**  
(Earl Block – Grassick's)

**5-17 Church Street**  
(Great National Land Building)

**6 Commercial Street**  
(Jean Burns Building)

**13 Commercial Street**  
(B.C. Hydro)

**19 Commercial Street**  
(Nash Hardware)

**35 Commercial Street**  
(Caldwell Block)

**37-45 Commercial Street**  
(Hall Block)

**83-87 Commercial Street**  
(Rogers Block)

**93-99 Commercial Street**  
(Hirst Block)

**101 Commercial Street**  
(Ashlar Lodge Masonic Temple)

**120 Commercial Street**  
(Gusola Block)

**143-155 Commercial Street**  
(Parkin Block)

**172-174 Commercial Street**  
(A.R. Johnston & Company  
Grocers)

**200-206 Commercial Street**  
(Halse Block)

**221 Commercial Street**  
(Modern Café)

**223 Commercial Street**  
(Free Press Building)

**306-314 Fitzwilliam Street**  
(Ranger's Shoes)

**403-409 Fitzwilliam Street**  
(S&W Apartments)

**411 Fitzwilliam Street**  
(Mitchell's Market)

**413-417 Fitzwilliam Street**  
(T&B Apartments)

**418 Fitzwilliam Street**  
(Zorkin Building / Adirim's  
Junk Store)

**426 Fitzwilliam Street**  
(Angell's Trading)

**428 Fitzwilliam Street**  
(Central Dairy)

**432 Fitzwilliam Street**  
(The Occidental Hotel)

**437 Fitzwilliam Street**  
(Rawlinson & Glaholm Grocers)

**375 Franklyn Street**  
(Harris Residence)

**25 Front Street**  
(Globe Hotel)

**28 Front Street**  
(Tom Brown's Auto Body)

**31-35 Front Street**  
(Nanaimo Court House)

**54-66 Front Street**  
(Federal Building)

**34 Nicol Street**  
(Nanaimo Fire Hall #2)

**321 Selby Street**  
(E&N Railway Station)

**151 Skinner Street**  
(Reid Residence)

**275 Skinner Street**  
(Palace Hotel)

**33-35 Victoria Crescent**  
(Commercial Building)

**34 Victoria Crescent**  
(Queen's Hotel)

**39-45 Victoria Crescent**  
(Johnson's Hardware)

**63 Victoria Crescent**  
(Terminal Hotel)

**291-299 Wallace Street**  
(Willard Service Station)

**481-489 Wallace Street**  
(Brompton Block)

**499 Wallace Street**  
(Merchant's Bank of Canada)

# Schedule B

## Heritage Building Tax Exemption Bylaw – Example

CITY OF NANAIMO

BYLAW NO. [\_\_\_\_]

A BYLAW TO EXEMPT HERITAGE PROPERTY FROM TAXATION

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WHEREAS the Council of the City of Nanaimo may, for the purposes of supporting the conservation of heritage property, adopt a Bylaw pursuant to Section 342 of the Local Government Act exempting eligible heritage property from taxation;

AND WHEREAS Council wishes to support the conservation of the building known as the [Building Name] located at [Civic Address] which is subject to a Covenant under Section 219 of the Land Title Act that relates to the conservation of heritage property, by exempting such land and building from property taxes;

AND WHEREAS pursuant to Section 343 of the Local Government Act, the Bylaw under Section 342 may provide that in certain circumstances the owner of the land must repay the taxes exempted under the Bylaw and the owner of the eligible heritage property to which this Bylaw applies has consented to the inclusion of such a provision;

THEREFORE BE IT RESOLVED that the Council of the City of Nanaimo, in open meeting assembled, hereby ENACTS AS FOLLOWS:

1. This Bylaw may be cited as the “PROPERTY TAX EXEMPTION BYLAW [DATE] NO. [\_\_\_\_]”.
2. The lands and improvements located at [Civic Address] and legally described as [Legal Description], are exempt from the taxable value of the land and improvements imposed under Section 331(1)(a), (b), (c), and (d) of the Local Government Act for the calendar year [\_\_\_\_].
3. Council may require the owner of the said land and improvements to pay the City of Nanaimo an amount equivalent to the total taxes exempted hereunder plus interest pursuant to Section 343 of the Local Government Act, if:
  - (a) the building on the land is destroyed, whether with or without proper authorization under the Heritage Conservation Covenant;
  - (b) the building is altered by or on behalf of the owner without proper authorization under the Heritage Conservation Covenant; or
  - (c) the building is not maintained in keeping with the requirements of the Heritage Conservation Covenant.

## **Schedule C**

### **Heritage Conservation Covenant – Example**

**WHEREAS:**

- A. The Grantors are the registered owners in fee simple of:  
  
PROPERTY LEGAL DESCRIPTION  
(the "**Lands**");
- B. The Grantee is the City of Nanaimo;
- C. The Grantors have voluntarily agreed to grant to the Grantee a covenant under section 219 of the *Land Title Act* (the "**Covenant**") to protect, preserve, conserve and maintain the building on the Lands located at BUILDING ADDRESS, Nanaimo, British Columbia, known as BUILDING NAME (the "**Heritage Building**") which is considered to have heritage value.

**NOW THEREFORE** in consideration of the payment of the sum of Ten Dollars (\$10.00) by the Grantee to the Grantors and the premises and the covenants herein contained and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the parties, the parties hereto hereby covenant and agree each with the other as follows (the "**Agreement**"):

- 1. In this Agreement:
  - (a) "**Customary State**" means that state of appearance and repair of the exterior of the Heritage Building that exists on the date this Agreement is executed by the Grantors;
  - (b) "**Alter**" means to take any action whatsoever the effect of which is to change, disturb, transform or otherwise modify any exterior feature of the Heritage Building, including its paint colour, trim, windows, doors, and any and all other exterior features, and "**Alteration**" has the corresponding meaning.
- 2. The Grantors shall preserve, conserve and maintain the Heritage Building in its Customary State and without limiting the generality of the foregoing shall not, except with the prior written consent of the Grantee Alter, or cause or acquiesce in the Alteration of any part of the exterior of the Heritage Building.
- 3. The Grantors shall, by themselves or by the use of agents, preserve, conserve and maintain in good order and condition (reasonable wear and tear excepted so long as the reasonable wear and tear does not unreasonably affect the exterior appearance of the Heritage Building or the foundation or structure of the Heritage Building) the Lands and the Heritage Building, and the appurtenances and equipment thereof, both inside and outside, including but not limited to fixtures, walls, foundations, roofs, vaults, elevators (if any) and similar devices, heating and air-conditioning equipment, sidewalks, landscaping, yards and other like areas, water and sewer mains and connections, water, steam, gas and electric pipes and conduits, and all other fixtures on the Lands and the Heritage Building, whether or not enumerated herein, and shall make any and all necessary repairs and replacements, ordinary or extraordinary, foreseen or unforeseen, structural or otherwise, in order to preserve, conserve and maintain the good order and condition of the Lands and Heritage Building, and to preserve, conserve and maintain the Heritage Building in its Customary State.

## Example

4. The Grantors shall not commit or suffer waste to the Lands or the Heritage Building or any part thereof (reasonable wear and tear excepted so long as the reasonable wear and tear does not unreasonably affect the exterior appearance of the Heritage Building or the foundation or structure of the Heritage Building), nor shall the Grantors injure or disfigure the Lands or the Heritage Building or permit them to be injured or disfigured in any way.
5. The Grantors shall permit the Grantee, its elected and appointed employees and agents to enter upon the Lands at all reasonable times for the purpose of inspecting the condition of the exterior of the Heritage Building.
6. The Grantors and the Grantee agree that the enforcement of this Agreement shall be entirely within the discretion of the Grantee and that the execution and registration of this Covenant against the title to the Lands shall not be interpreted as creating any duty on the part of the Grantee to the Grantors or to any other person to enforce any provision or the breach of any provision of this Agreement.
7. Nothing contained or implied herein shall prejudice or affect the rights and powers of the Grantee in the exercise of its functions under any public or private statutes, bylaws, orders and regulations, all of which rights and powers may be fully and effectively exercised in relation to the Lands as if the Agreement had not been executed and delivered by the Grantors.
8. The Grantors hereby release and forever discharge the Grantee, its officers, employees and agents, of and from any cause of action, suit, demand, expenses, costs and legal fees whatsoever, which the Grantors can or may have against the said Grantee for any loss or damage or injury, including economic loss, that the Grantors may sustain or suffer arising out of or in connection with the breach of any covenant in this Agreement.
9. The Grantors covenant and agree to indemnify and save harmless the Grantee, its officers, employees and agents from any and all claims, causes of action, suits, demands, expenses, costs and legal fees whatsoever that anyone has or may have as owner, occupier or user of the Lands, or by a person who has an interest in or comes onto the Lands, or by anyone who suffers loss of life or injury to his person or property, including economic loss, that arises out of or in connection with the breach of any covenant in this Agreement.
10. It is mutually understood, acknowledged and agreed by the parties hereto that the Grantee has made no representations, covenants, warranties, guarantees, promises or agreements, whether oral or otherwise, with the Grantors other than those contained in this Agreement.
11. The waiver by a party of any failure on the part of the other party to perform in accordance with any of the terms or conditions of this Agreement is not to be construed as a waiver of any future or continuing failure, whether similar or dissimilar.
12. The Grantors covenant and agree for themselves, their heirs, executors, successors and permitted assigns, that they will at all times perform and observe the requirements and restrictions hereinbefore set out and they shall be binding upon the Grantors as personal covenants only during the period of their respective ownership of any interest in the Lands.
13. This Agreement is to be construed in accordance with and governed by the laws applicable in the Province of British Columbia.
14. No remedy under this Agreement is to be deemed exclusive but will, where possible, be cumulative with all other remedies at law or in equity.



## Example

15. This Agreement shall be registered as a first charge against the Lands and the Grantors agree to execute and deliver all other documents and provide all other assurances necessary to give effect to the covenants contained in this Agreement.
16. The restrictions and covenants herein contained shall be covenants running with the Lands and shall be perpetual, and shall continue to bind all of the Lands when subdivided, and shall be registered in the Victoria Land Title Office pursuant to section 219 of the *Land Title Act* as covenants in favour of the Grantee as a first charge against the Lands.
17. This Agreement shall enure to the benefit of the Grantee and shall be binding upon the parties hereto and their respective heirs, executors, successors and permitted assigns.
18. Wherever the singular, masculine and neuter are used throughout this Agreement, the same is to be construed as meaning the plural or the feminine or the body corporate or politic as the context so requires.

**IN WITNESS WHEREOF** the parties hereto hereby acknowledge that this Agreement has been duly executed and delivered by the parties executing Forms C and D (pages 1 and 2 ) attached hereto.

# Schedule D

## Heritage Designation Bylaw (Voluntary) – Example

CITY OF NANAIMO

BYLAW NO. [ ]

A BYLAW TO DESIGNATE “[BUILDING NAME]” A MUNICIPAL HERITAGE SITE

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WHEREAS the Council considers that [Building Name] located at [Civic Address] has heritage value and character and its designation is desirable for the conservation of protected heritage property,

The Council of the City of Nanaimo, in open meeting assembled, enacts as follows:

Title

1. This bylaw may be cited as “City of Nanaimo Heritage Designation Bylaw [Year] No. [ ]”.

Interpretation

2. In this Bylaw, the terms “heritage value” and “heritage character” have the meaning given to them in Section 1 of the Local Government Act.

Designation

3. The following property is designated as protected under Section 967 of the Local Government Act:

[Building Name]  
[Civic Address]  
[Legal Description]

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Note: Section 967 says in part:

“Except as authorized by a heritage alteration permit . . . a person must not do any of the following (to a property that has municipal heritage designation):

- (a) alter the exterior of the building or structure protected under this section;
- (b) make a structural change to a building or structure protected under this section;
- (c) move a building or structure protected under this section;
- (d) alter, remove or take an action that would damage an interior feature or fixture that is identified in the (designation bylaw);
- (e) alter, remove or take an action that would damage a landscape feature that is identified in the (designation bylaw);
- (f) alter, excavate or build on land protected under this section”.

## Schedule E

### Application Evaluation Criteria

Evaluation Criteria	Evaluation Range	Points
<b>Dwelling Unit Yield</b>	<input type="checkbox"/> 15+ (30 points) <input type="checkbox"/> 6-14 (20 points) <input type="checkbox"/> 2 to 5 (10 points) <input type="checkbox"/> 1 (5 points)	
<b>Building Façade Treatment</b>	<input type="checkbox"/> Original heritage façade will be restored or existing heritage façade maintained (30 points) <input type="checkbox"/> Heritage facade will be rehabilitated consistent with Parks Canada’s <i>Standards and Guidelines for the Conservation of Historic Places in Canada</i> (20 points) <input type="checkbox"/> New façade will be constructed consistent with City’s <i>Downtown Design Guidelines</i> (10 points)	
<b>Structural Material/Cladding</b>	<input type="checkbox"/> Brick (10 points) <input type="checkbox"/> Wood (5 points)	
<b>Heritage Designation</b>	<input type="checkbox"/> Municipally designated or has agreed to voluntary designation (10 points)	
<b>Architectural Significance</b>	<input type="checkbox"/> Very good or excellent example of a particular architectural style (10 points) <input type="checkbox"/> Designed by noted architect (5 points)	
<b>Residential Infill</b>	<input type="checkbox"/> Residential Infill in association with conversion (10 points)	
<b>Building Age</b>	<input type="checkbox"/> 100+ years (10 points) <input type="checkbox"/> 40-99 years (5 points)	
<b>Total Points</b>	<b>Minimum Qualifying Score: 40 points (applicant must score more than “0” in “Building Façade Treatment” category in order to qualify)</b>	

# Schedule F

## Heritage Building Tax Exemption Program – Application Form

<b>Applicant Information</b>	
<b>Name of Applicant</b>	_____
Address	_____
Telephone	_____ Fax _____
Email	_____
<b>Name of Owner</b>	_____
Address	_____
Telephone	_____ Fax _____
Email	_____
<b>Property Information</b>	
Civic Address of Property	_____
Legal Description of Property	_____
<b>Consultant Information</b>	
<b>Name of Architect</b>	_____
Address	_____
Telephone	_____ Fax: _____
Email	_____
<b>Name of Engineer</b>	_____
Address	_____
Telephone	_____ Fax: _____
Email	_____
<b>Name of Contractor</b>	_____
Address	_____
Telephone	_____ Fax: _____
Email	_____

**Project Information**

Number of Residential Units or General Building Rehabilitation proposed (attach separate project scope/summary if necessary)

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Rental \_\_\_\_\_ Condominium \_\_\_\_\_ Other \_\_\_\_\_

Present Use of Building \_\_\_\_\_

Project Timeframe \_\_\_\_\_

**Project Cost**

Estimated Total Construction Cost \_\_\_\_\_

Estimated Seismic/Building Code/Sprinkler/Facade Upgrade Cost \_\_\_\_\_

**Applicant Requirements**

Please attach the following:

- Certificate of Title
- Cover letter outlining scope of work
- Scaled drawing(s) of proposed work (four sets)
- A total construction cost estimate - itemized (by an architect, engineer or building contractor). Receipts will be required at project completion to verify estimate accuracy
- Letter from professional structural engineer certifying seismic upgrading costs. The cost estimate should be based on the NRC-CNRC Guidelines for Seismic Evaluation of Existing Buildings
- Colour photographs of building exterior (where external building alterations proposed)
- Colour sketch (where external building alterations proposed)
- Material and colour samples (where external building alterations proposed)

The City of Nanaimo reserves the right to decline approval of applications not in keeping with the Heritage Building Tax Exemption Program guidelines.

***I, being the registered owner \_\_\_\_\_ or authorized agent \_\_\_\_\_ make this application.***

***(If applicant is not the registered owner, a letter of authorization from the owner is required before the application can be processed).***

\_\_\_\_\_  
**Signature of Applicant**

\_\_\_\_\_  
**Date**

**Submit completed application forms to the City of Nanaimo's Culture & Heritage Planner:**

**Office:** 411 Dunsmuir Street, Nanaimo, BC V9R 5J6

**Mail:** 455 Wallace Street, Nanaimo BC V9R 5J6

**Email:** chris.sholberg@nanaimo.ca

**Phone:** 250-755-4472