

16. HERITAGE DEVELOPMENT GRANTS ON COMMERCIAL BUILDINGS

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The purpose of this report is to seek approval, in principle, to introduce a Heritage Development Grants Scheme for commercial buildings.

BACKGROUND

At its meeting on 23 March 2001 the Council adopted the following recommendation of the Annual Plan Working Party:

“That the Director of Business Projects and Relationships, in consultation with the Director of Finance, report on a method by which an annual grant, equivalent to the increased rating income from a redeveloped heritage building, could be made to eligible owners for a specified period, of, say, five years.”

This report responds to the above request and outlines a process for making grants to the owners of heritage buildings which have been improved through redevelopment. The grants would be the equivalent to the increase in the City Council rates for five years. The development work makes the building more useful and hence more valuable. This in turn increases rates which in itself is a disincentive to improvement. The Council therefore proposed that a grant be introduced to encourage the redevelopment of heritage buildings.

HERITAGE CONSERVATION POLICY

The Council policy includes the following objective:

“To set aside a yearly allocation of money for grants to owners of listed heritage buildings places and objects.”

The criteria for rationing the allocation of grants are attached.

The policy also refers to the use of rates relief:

“To provide some rates relief for listed heritage buildings used by non-profit making groups for games or sports, health, education or instruction, the arts and for churches, schools and charitable institutions generally.”

However, the current policy does not allow for rates relief to private sector owners.

A number of commercial ratepayers have asked the Council to consider granting rates relief where:

- The ratepayer owns a listed heritage building which is rated commercial/industrial and enters into a plan of redevelopment aimed at both enhancing the use of the building and preserving the heritage features.
- The improvements may increase the capital value when the development has been completed.
- The following year's rates are levied in the new capital values.
- The ratepayer considers the increased rates to be a disincentive to the development plan.

The Council levies extra rates on all new improvements from all forms of developments. This is part of the budgeted 'rate growth' of \$2m each year. It is the actions of property owners which generate these new rates. If the property owners choose not to develop their property then the Council will not receive the extra revenue. Development of any building should therefore be encouraged as the expenditure will benefit the city. Development of heritage buildings has the additional benefit of retained heritage.

A grant calculated on five years of the extra rates should encourage owners to act or act earlier. It could be considered the Council would be no worse off than if the incentive was not in place, but could be considerably better off in that city renewal objectives will have been met. The grant will provide another alternative to assist with heritage retention and redevelopment in the central city.

As with all incentives, there is no evidence to suggest the scheme will trigger the development and cause new developments to occur or to occur sooner rather than later. However, examples are being researched and will be included in the Environment Committee report. The effect of the scheme would be to delay the receipt of the rate increase for redeveloped listed heritage buildings for five years.

The actual cost to the Council is not known. However, a budget would be developed for inclusion in the draft Annual Plan each year based on approved, completed and revalued developments to date. A compensating increase in the rates growth figure would also be made.

A trial scheme is proposed, which would be reviewed within three years and discontinued if ineffectual or not meeting expectations.

OPTIONS FOR PROVIDING RATES RELIEF

Two options are available for providing rates relief to heritage building owners:

- A grant under Section 601A (4) Local Government Act
- Make a rates relief policy under Section 180G of the Rating Powers Act.

The grants powers under the Local Government Act (Section 601A) are flexible and have been used extensively by the Council. They allow the Council to construct a scheme which, so long as it fits the normal prudent operation of the Council, will be beyond challenge.

The rates remission process under 180G of the Rating Powers Act is prescriptive and requires public notification of applications and the rates relief granted. A scheme could be developed but it will take time and expense to proceed through the public consultation process. It could result in the same sums being paid and benefiting the same applicants but the set-up process is longer.

My advice is that the simpler process under section 601A of the Local Government Act be followed.

CHANGES TO THE HERITAGE CONSERVATION POLICY

The following changes to the policy are proposed to implement the grants scheme:

“In order to promote the economic retention and redevelopment of heritage buildings the Council may make grants to the owners of heritage buildings who have:

- *Made an application to the Council*
- *Completed a plan of development which involves a building consent for the bulk of the work/expenditure. (It is only following a consent that the improvements are recognised for rating valuation.)*
- *Have had the improvements portion of the rateable value increase following substantial completion of the development. (This is the time the Council amends the values of property following completion under a building consent.)*
- *Have a rate increase in the rating year following the changes to the valuation*

The owner may receive a grant to be known as a Heritage Development Grant calculated on:

- *The increase in City Council rates from:*
 - *the increase in the improvement portion of the rateable value; and*
 - *which follows the substantial completion of the work for which a building consent has been granted; and*
 - *which is part of a Council approved redevelopment plan.*

Other conditions of grant to include:

- *The grant to be limited to the first five years of rate increase*
- *The grant to commence in the year the rates rise.*
- *Owners with a development plan underway or commenced in the 2001 calendar year to be eligible for a grant.*
- *The increased rates are in fact levied, not reduced as a result of transfer to a new differential group (with a different rate requirement) as a result of any change of use.”*

THE MECHANICS OF THE CALCULATION

It is intended that a process be followed to allow appropriate screening of applicants and rational use of grant funds. It is suggested that the process include:

- The Environment Committee to define the selection criteria for the applicants
- The application form to be received in advance of the development plan being commenced, including the work under a building consent
- The work to be completed in accordance with the approved application form, and the building consent
- The improvements to be revalued in the normal course of rating valuations
- Any increase in the rating values to be notified and change the rate records
- The rates to be levied in the future based on the new values (if any change is made)
- A grant to be made to the owner in each year for five years equal to the rate increase which comes from the improvements value increase.
- The grant to be made from Heritage Development Grant budget to be created under the City Heritage Advice Output. The budget increase would be matched by an equal increase in the rating base growth.

It should be noted that rate increases which come from the three yearly revaluation, increase in land values, change in use to a higher rated differential group, and any increases which come from other than the change to the improvements will be passed on to the owner/occupier and not be subject to grants.

WHAT IS QUALIFYING PROPERTY

This will always be difficult to define bearing in mind the objectives are to preserve heritage buildings and to stimulate appropriate development in the inner city.

The options open to the Council are to limit the scheme or to open it up to all heritage property.

The request to consider the relief came from heritage building owners in the inner city. Therefore, it is recommended that the scheme be limited to heritage buildings listed in the City Plan which are:

- Located in the central business district defined for this purpose (only) as within the boundary of Fitzgerald, Bealey, Harper, Moorhouse and Deans Avenues; and
- Rated as commercial/industrial under the rate differential groups in current use.

WHICH DEVELOPMENT PLANS QUALIFY

Any plan of development which complies with the retention and maintenance of the heritage character of a qualifying building which includes a building consent with a value greater than \$50,000. Also the increase in the improvements value has to occur within two years of the application approval date. This is to stop drawn out projects which are promised but do not deliver the redevelopment.

There may be other consents required, but it is the building consent which triggers the change of improvements component of the rateable value.

TRIAL PERIOD

It is recommended that the scheme terminate within three years unless on review the Council decides it merits continuance. Applications approved prior to the termination will be honoured. Therefore the latest date for approval of applications is 30 June 2004.

- Recommendation:**
1. That the Heritage Development Grants scheme be approved, in principle and be referred to the Environment Committee for the development of the application and selection criteria.
 2. That the Environment Committee report back to the Strategy and Resources Committee with its recommendations for the scheme.
 3. That funding for the scheme be included in the draft 2002/03 Financial Plan and Programme.
 4. That the scheme terminate for new applications no later than 30 June 2004 unless the Council agrees to the contrary.

The Chairman comments:

"This is a useful addition to the incentives which the Council provides to owners of heritage buildings. It can be provided at minimal cost to the Council."

Chairman's

Recommendation: That the above recommendation be adopted.