Attachment 3

Heritage Major Amendment 03/19

Incentives Package – Options for Consideration

PURPOSE

The purpose of this report is to identify and analyse a range of incentives that may be suitable to assist private landholders whose properties are listed as a local heritage place on Council's Heritage Schedule (Schedule 7 of the Redland City Plan).

SECTION 1 – FINANCIAL INCENTIVES

Key financial incentives that could be used for the protection of local heritage places are discussed below and include:

- Rate rebates;
- Heritage grants;
- Heritage loans;
- Application fee reductions.

1.1 Rate Rebates

A rate rebate can be used to encourage property owners who have a property that is included on the local heritage register to conserve and maintain the heritage values of that property. Section 120 (1e) of the *Local Government Regulation 2021* indicates that a local government may grant a concession for rates, if the concession will encourage land that is of cultural, environmental, historic, heritage or scientific significance to the local government area to be preserved, restored or maintained. The concession may be given as a rebate of all or part of the rates.

The intent of the rebate would be to allow the property owner to have more money available for conservation/maintenance works to retain heritage values. This is a relatively simple incentive to administer, which provides a direct benefit to the landowner.

There are two issues with this blanket rate rebate approach which are:

- all landholders are provided with the same incentive, no matter if conservation/maintenance works are undertaken or not; and
- some properties on the proposed list do not pay a general rate charge.

Although Council can only encourage the money landowners save through the rebate to be used for conservation/maintenance works, there is potential for Council to request works to be undertaken once a property is listed as a local heritage place. If Council became aware that individual local heritage places are not being maintained, there is an opportunity to issue a notice to the landholder under section 84 of the *Queensland Heritage Act 1992*, requiring the landowner to carry out essential

repair or maintenance works. To operate effectively, this would require an officer of Council, or an external contractor to undertake regular checks of buildings, which is currently not budgeted for, but should be considered in the future.

A review of the general rate charge for the properties proposed for inclusion on the list identifies that the annual rate charged varies between $1,062 and $3,477.88. The exceptions to this are:

- 2 properties where the general rate exceeds $3,477.88 (8-22 Mallon St, Dunwich is charged $14,068.52 as a truck depot and the Redland Bay Hotel is charged $50,646.64);
- 11 properties which are not charged rates (for example, churches, police station, schools, scouts association, community hall).

If Council were to implement a policy which allowed up to a 50% rebate of general rates, up to a maximum of $2000, the total cost of the rebate would be $36,543.14 annually. Using this rebate calculation, different properties are entitled to a different rebate amount which raises issues of fairness (the value of the rebate varies between $531 and $2,000 between properties). Council's rate's department have also indicated that the property and rating system may not be able to handle a % rebate, but can manage a fixed amount rebate. In response to these two issues, it is recommended that a set rebate amount of $1,000 is provided for all privately owned, local heritage listed properties that pay an annual general rate. This equates to $35,000 annually.

Other costs of implementing such a policy would be staff time to set up the rating system.

The above details are based on the 45 properties remaining on the proposed list following the removal of 111 Esplanade Redland Bay and 15 John St Thorneside (due to building removal/demolition), the Former US Army Signal Corps Receiving Station in Birkdale (due to the State Heritage listing of this site), and 18 Oxley Parade Dunwich (in response to a submission). It also includes the property at 189 School of Arts Road, Redland Bay, which is a privately owned property on the existing heritage schedule, and the 11 properties on the proposed list which are not charged the general rate.

Overall, a rate rebate is considered a positive way to promote heritage protection, which would provide direct, financial assistance to the landowners of local heritage sites.

Taking the above into consideration, it is considered that a general rate rebate of $1000 for each privately owned property which is on the heritage schedule, and for which are charged a general rate charge, would be a suitable way of providing a direct financial incentive for landowners to encourage them to maintain the heritage values of their properties.

1.2 Heritage grants

Council may consider implementing a grants program to assist private property owners undertaking maintenance work (such as replacing roofs, guttering and downpipes), or preparing heritage documents such as Conservation Management Plans.

For a heritage grant system to be effective, Council would need to create a policy which clearly outlines the eligibility criteria. Landholders would need to make an application to Council for the grant, including a fixed quote, which officers would assess. Once approved, grant funding would be made available at the completion of works. A decision would need to be made on whether Council officers should undertake an inspection of the works, or if the issue of the final invoice by the tradespeople undertaking the works is satisfactory in confirming that the works are complete.

Council would need to create a grant policy which provides consistency and fairness. In addition to requiring an annual budget allocation, Council would need to determine who has access to the funds each year. For example, if Council decided to divide the money equally between each property annually, this may be the fairest method, but potentially, would mean that major repairs would go uncompleted because the grant is too small. If Council decided to provide a lesser number of larger grants each year, then there are issues involved with who gets the money when, and additional assessment would be needed by Council to determine the works that should be given priority. If Council wants to select which applications receive the grant funding, it is likely to require creation of an online platform, mail outs, rounds for applications and assessment stages. Council could use the 'Smarty Grants' system which it currently subscribes to.

Grants are most likely to be the most direct and useful financial incentive in helping property owners with maintenance and repairs, and ensuring the money is spent on maintaining heritage values. However, grants are complex for Council to administer and, depending on how the grants system is set up, there would be staff costs involved in assessing applications, checking completed works and issuing grant funds. The cost estimates of implementing a heritage grant program, consisting of up to 46 grants a year and up to $3,000 each is as follows:

- Administration - 0.2 to 0.3 FTE Level 3 (cost of up to approximately $22,000 a year);
- Develop and implement guidelines - 0.1 FTE Level 5 or 6 (cost of up to approximately $9,500 a year); and
- 46 grants capped at $3,000 annually ($138,000 a year).

To reduce the reliance upon council officers being the sole assessors, external professional volunteer assessors and panel members may assist with performing this function. In response to the public consultation of the proposed amendment, groups such as the National Trust of Australia (QLD) have indicated that they would like an opportunity to work more closely with the Council in this sphere. Including volunteers will keep the cost down to some degree and ensure the decisions made are transparent and accountable. However, this arrangement must be coordinated appropriately by Council officers. A similar process occurs within the Community and Economic Development group who are responsible for administering community grants.

Other councils, including Ipswich City Council have reported difficulties administering a grants scheme involving problems determining who should receive a grant, whether the work has been completed appropriately and chasing invoices. Ipswich City Council has since withdrawn their scheme, replacing it instead with targeted programs (for example, the current program focuses on intact streets of significant character).

Other Councils including Fraser Coast Regional Council have administered successful schemes whereby council contributes $1 for every $2 spent in conservation works up to a maximum prescribed amount.

Overall, officers can see benefits in establishing a heritage grants program. However, there would be a significant process involved in setting this up including:

- Reviewing staff workloads to determine if the grants scheme can be administered without hiring additional staff (and potential reallocation of tasks within teams);
- Creation of a heritage grant policy and determining the amount of funds to assign to the grants program and how to fund it;
- Investigating possible funding which may be available through State and/or Federal grants schemes;

- Training staff in the use of Smarty Grants and the policy;
- Setting up the Smarty Grants platform;
- Determining how the assessment panel will be run and how volunteer panel members can be included.

At this point in time, there are two main priorities for the Heritage Major Amendment 03/19 which are:

- getting the properties listed in Schedule 7 so that they are afforded protection; and
- ensuring there are incentives ready to offer landholders for when the properties are listed.

It is estimated that the amendment package will commence early in the new financial year. Setting up a workable heritage grants program may not to be achieved within that timeframe. It is therefore recommended that a more simple to implement financial incentive is offered for the 2021/22 financial year, but that setting up a grants system be considered for the 2022/23 financial year and onwards.

1.3 Heritage loans

A heritage loan system could be established whereby Council makes funds available to loan to local heritage place owners, in order for them to undertake conservation/maintenance works. Council would need to establish the budget available to offer and set a competitive interest rate and borrowing limits. There are significant impediments to such a system. It would be difficult to establish lending criteria which provides for equity, especially given there would be a limit to the amount of funding available, so until loans are paid off, other property owners would not be able to obtain a loan. There would also be issues if there were defaults on loan payments. In addition, there would be significant set up and ongoing administrative and legal costs for such a system. Overall, due to the complexities associated with this approach, it is not recommended.

1.4 Heritage overlay application fee reductions

Section 5.9 of the Redland City Plan indicates that where a site is included in the heritage overlay, the level of assessment of certain development applications can be elevated to code or impact assessment. This would result in increased fees for some development applications.

Council does have the option to amend its register of fees to reduce or waive development application charges where the fee is impacted by a site's listing in the heritage schedule. However, in doing this, it could inadvertently subsidise the assessment fee for an application which proposes works which do not support the conservation of heritage values.

At this stage, it is recommended that the register of fees remain unchanged. Once development applications involving assessment of the heritage overlay are received by Council, information can be put together detailing the types of applications lodged and impact of the heritage listing on the fee generated. This information could be used to inform future changes to the fee schedule. In the meantime, there is potential to offer discretional fee discounts if it is warranted on a case by case basis.

SECTION 2 – NON-FINANCIAL INCENTIVES

Key non-financial incentives that could be used for the protection of local heritage places are discussed below and include:

- Providing specialist heritage advice and information;
- Planning/Development Bonuses;
- Education and promotion.

2.1 Providing specialist heritage advice and information

Many south-east Queensland Councils fund a heritage advisory service where a consultant heritage advisor is appointed by Council to provide free advice to private property owners (whose property is on the Local Heritage Register) on heritage matters. Councils, including Brisbane City Council and Ipswich City Council, have reported that this service is one of the most popular and successful heritage incentives offered.

A certain amount of advice can be given by officers already employed within the City Planning and Assessment group, particularly relating to the Redland City Plan and the requirements of the heritage overlay code. However, Council does not currently employ a planner with heritage expertise. It is recommended that Council engage a heritage consultant to:

- provide an advisory service to private owners of local heritage listed places (a maximum of one free meeting per year per heritage place). The aim of the consultations could be to:
    - help guide specific heritage work to maintain the integrity of the property;
    - advise on potential renovation/development proposals in relation to the protection of heritage values;
    - assist with the development of a conservation management plan.
- provide expert advice to Council through the development application and pre-lodgement process;
- assist in the preparation of further factsheets to assist landowners manage their heritage listed property (for example: what maintenance works are recommended for heritage properties, any limitations to what works can be done before Council approval is required, or how to prepare a conservation management plan).

The consultant currently engaged by Council for this major amendment package has advised that is it unlikely that all landholders will request an annual one on one meeting with the heritage consultant as part of this service. Landholders whose property is proposed for inclusion were provided with an opportunity to meet with the heritage consultant as part of the public consultation period, to gain an understanding of why their property was recommended for listing, and how the listing will impact the property. The above proposed advisory service does not replicate this meeting, but rather, is likely to be used when landholders are proposing changes to their property. The consultant estimates that, based on their experience, approximately 10 landholders are likely to request such a meeting each year, in order to have a detailed discussion on heritage matters outside of the usual planning scheme enquiries that Council officers can attend to in house.

A summary of potential costs for advisory services by a heritage consultant is as follows:

	Ongoing annual costs
Heritage advice to property owners and Council	$18,000 - $24,000.
Information resources	$2,500
	Total: $20,500 - $26,500

2.2 Planning/Development Bonuses

Planning bonuses provide an option for Council in supporting the conservation of heritage values. It provides for flexibility in development outcomes to assist in achieving the conservation of the heritage buildings/places. For example, Council may approve a use that is impact assessable on a site, if it assists in conserving a heritage building, and has little or no adverse effect on the amenity of an area. In this regard, relevant provisions would need to be incorporated into the heritage overlay code.

It is noted that the Gold Coast City Council planning scheme currently includes the following provisions in its heritage overlay to allow for 'development bonuses':

Development Bonuses for Conserving Places of Heritage Value	
PC5 *The conservation of a place of heritage value may justify for particular sites the adoption of alternative development solutions to the normal provisions of this Planning Scheme. Any such alternative development solutions must contribute to the viability of the conservation of the place of heritage significance. Such alternative development solutions are to be consistent with the Burra Charter for the conservation of places of cultural significance.*	*AS5* *The following components of the development are considered for possible alternative solutions for the conservation of the place of heritage value:* *a) land use type;* *b) total site coverage;* *c) maximum building height;* *d) minimum setback from frontage or from any other boundaries;* *e) maximum plot ratio or GFA;* *f) maximum residential density;* *g) minimum car parking requirements.* *Note: Acceptable solutions shall acknowledge the principles of the Australia ICOMOS Charter for the Conservation of Places of Cultural Significance (the Burra Charter). The following principles of the Burra Charter will form the basis of criteria by which Council will consider development:* *a) The aim of conservation is to retain or recover the cultural significance of a place, and must include provision for its security, maintenance and future.* *b) Conservation is based on a respect for the existing fabric and should involve the least possible physical intervention. It should not distort the evidence provided by the fabric.* *c) Conservation should make use of all the disciplines which can contribute to the study and safeguarding of a place. Techniques employed should be traditional, but in some circumstances they may be modern ones for which a firm scientific basis exists and which have been supported by a body of experience.*

	d) Conservation of a place should take into consideration all aspects of its cultural significance, without unwarranted emphasis on any one at the expense of others. *e) The conservation policy appropriate to a place must first be determined by an understanding of its cultural significance and its physical condition. The conservation policy will determine which uses are compatible.* *f) Conservation requires the maintenance of an appropriate visual setting: eg. form, scale, colour, texture and materials. No new construction, demolition or modification, which would adversely affect the settings, should be allowed. Environmental intrusions which adversely affect appreciation or enjoyment of the place should be excluded.* *g) A building or work should remain in its historical location. The moving of all or part of a building or work is unacceptable, unless this is the sole means of ensuring its survival.* *h) The removal of contents which form part of the cultural significance of the place is unacceptable, unless it is the sole means of ensuring their security and preservation. Such contents must be returned, should changed circumstances make this practicable.*

The Redland City Plan is a performance based document (as required under the Planning Act). Therefore, it already allows for flexibility in development outcomes where an acceptable outcome is not met. For example, the Gold Coast provisions above include site cover as a component of the development which can be considered for possible alternative solutions. The performance outcomes for site coverage in the medium density residential zone code requires the provision of substantial open space and landscaping on the site, and mitigation of the bulk and scale of development. These outcomes are considered to allow for flexibility (where the acceptable outcome has not been met) and are suitably drafted whether or not there is a heritage building on the site.

Officers are reluctant to recommend including specific development/planning 'bonuses' in the planning scheme as it may result in unintended development outcomes, and/or reduce Council's ability to uphold decisions on applications in Court. Particularly at this stage, given the inclusion of privately owned properties on the heritage schedule is a new aspect of the scheme, it is recommended that development/planning 'bonuses' are not provided. Once applications over these local heritage sites are proposed in the future, officers will be able to determine if there is sufficient flexibility in the scheme to allow for alternative solutions, whilst still achieving the intent of the relevant zone code and conserving the heritage values of the site.

If Council would like to investigate this option further, it is recommended that it is done as part of a separate future major planning scheme amendment process.

2.2 Education and Promotion

The following are examples of educational and promotional activities which may assist conserving and adding value to heritage across the City:

- Heritage award schemes;
- Heritage festivals;

- Heritage interpretation – trails/public exhibitions;
- Publications in the media.

It is recommended that such concepts be considered in the future as part of a wider heritage strategy (separate to the Heritage Major Amendment 03/19), once the entry of places onto the Schedule has been completed and other more direct incentives are in place.

SECTION 3 - FUNDING FOR HERITAGE INCENTIVES

Funding for heritage incentives would need to come from general revenue raised in rates. A potential longer term revenue source available to Council other than from general revenue, would be the introduction of a heritage levy. Council currently has an environmental levy in place, the current rate for which is $116.32 per annum. A heritage levy could potentially be administered through rates, with the funds being used for the incentives program (rates rebate/heritage grants/engagement of a heritage specialist to provide advice to landholders etc).

Sections 92 and 94 of the *Local Government Act 2009* indicate that a local government may levy special rates and charges for services, facilities and activities. This section of the Act does not detail specific things that can or cannot be levied and it is open to legal interpretation on whether a heritage levy is deemed to be a 'service, facility or activity'. As indicated in the 'legal advice' section below, Council is currently seeking information regarding whether a levy can lawfully be charged in this instance.

Further, although the *Local Government Act* may allow a levy to be applied on the basis that the levy is for a 'service, facility or activity', consideration must also be given to Council's established financial management system and the revenue policy principles which underpin all financial activities undertaken by Council. One of the eight principles Council recognises for levying rates and charges is 'fairness', with an emphasis on raising funds for purposes that benefit all those who pay. Although the overall aim of the levy would be the maintenance of heritage properties for the wider community benefit, the allocation of these funds to a small number of private owners may be considered disproportionate and unfair.

The rates department have indicated that there are currently 69,873 rateable properties (as at 1 January 2021). The following table outlines the total potential contribution based on various levy amounts (not taking into consideration rates in arrears):

Annual levy amount	Total contribution
$2 (equates to 50c a quarter)	$139,746
$4 (equates to $1 a quarter)	$279, 492

There are unlikely to be significant costs to administer the levy. Staff time would be required initially to set up the levy in the rates system, however, the annual costs to administer are considered to be negligible.

An example of where a levy is currently in place is the Sunshine Coast Council, where residents pay a cultural heritage levy of $13.00 per annum that is charged per household and is included in the rates payment. Sunshine Coast Council utilises the levy to encompass all elements of heritage and local history. This includes local heritage grants and advice, educational program/marketing as well as funding museums and the like.

Overall, although there are political issues associated with implementing another charge on the community, a levy may provide an equitable way for the broad community to contribute to preserving the heritage values of the City. Council would need to ensure that any funds raised through the levy are spent in a lawful manner, and in a manner which has a direct and positive impact on heritage values for the community. In this respect, it would not be considered suitable for a levy to fund a general rate rebate which only aims to 'encourage' landowners to maintain the heritage values of their property.

It is estimated that the amendment package will commence early in the new financial year. Setting up a new levy may not to be achieved within that timeframe. It is therefore recommended that investigations into the use of a rate levy to potentially fund local heritage grants and advice, educational program/marketing as well as funding museums and the like be considered for the 2022/23 financial year and onwards

SECTION 4 - LEGAL ADVICE

As part of this report, legal advice was sought regarding Council's legal ability to:

- Provide a rates concession for private landowners whose property is on the heritage schedule;
- Charge ratepayers a heritage levy;
- Use money raised from a heritage levy to fund the costs of:
    - A rates concession;
    - A heritage grants system for private landholders;
    - The engagement of a heritage consultant to provide advice to landholders and Council.

Our legal team have advised that external legal advice will need to be obtained on this matter. This external legal advice is currently being sought. It is expected that it will be available before budget deliberations are finalised.

SECTION 5 - RECOMMENDATION

Following the above analysis of possible incentives, officers recommend that the following package of incentives be considered as part of the 2021/22 budget deliberations, and if supported implemented prior to the Heritage Major Amendment 03/19 commencing as follows:

- A general rate rebate of $1000 for the 2021/2022 financial year for each privately owned property which is subject to a general rate charge and is listed as a Local Heritage Place under Schedule 7 of the Redland City Plan;
- Access to specialist heritage advice and information, including engagement of an external heritage consultant to provide:
    - expert heritage advice to property owners whose property is on the local heritage schedule (up to one meeting per year for each property, the cost of which will be borne by Council);
    - expert heritage advice to Council for development applications and pre-lodgement meetings;
    - assistance in developing further factsheets or website information relating to the management of local heritage places.

The estimated cost of this incentives package is $61,500 as follows:

- $35,000 for the rates rebate (as a result of reduced rates revenue); and
- $26,500 for heritage advice and information.

Council will be able to reconsider its heritage incentive program as part of future, annual budget deliberations. This will give Council opportunity to change the incentives offered each year if feedback from the community indicates an alternative would be preferred. However, it is important that an incentives package be provided for as long as properties are listed on the heritage schedule. As such, there is rationale for officers to investigate the implementation of a rate levy, which would provide a long term and sustainable funding stream for heritage protection across the City.

For future years, it is recommended that a grants system be further investigated and implemented, as this will provide a more equitable and transparent financial incentive. The grants system will also be open to those 11 properties being listed which currently are not charged a general rate amount (who therefore will not receive a financial incentive in the 2021/22 financial year).

Note that for the purpose of the Heritage Major Amendment 03/19, the incentives discussed in this report are only targeted at local heritage places. In the future, Council may also wish to consider providing incentives to properties in the City which are identified as being of State significance. At this point in time, it is considered important to focus on the current amendment to the local heritage schedule and related incentives, so as to not delay commencement of the amendment and therefore, protection of the heritage values of these local sites being considered for listing.