



Staff Report for Committee of the Whole Meeting

Date of Meeting: October 16, 2017

Report Number: SRCFS.17.045

Department: Corporate and Financial Services

Division: Financial Services

Subject: Vacant Unit Rebate

Purpose:

The purpose of this report is to update Council on information sessions and survey results, concerning the Vacant Unit Rebate program for commercial and industrial buildings.

Recommendation(s):

- a) That Council endorse elimination of the Vacant Unit Rebate program as provided for by Municipal Act, 2001 Section 364, effective January 1, 2018.

Contact Person:

Cedric Stone, Manager, Revenue Services, ext. 3627

Report Approval:

Submitted by: Mary-Anne Dempster, Commissioner of Corporate and Financial Services

Approved by: Neil Garbe, Chief Administrative Officer

All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), Town Solicitor (as required), Commissioner, and Chief Administrative Officer. Details of the reports approval are attached.

Background:

The Province introduced the Vacant Unit Rebate program effective 2001, as provided for by *Municipal Act, 2001, Section 364 and Ontario Regulation 325/01*. The Vacant Unit Rebate provides a tax rebate to property owners who have vacancies in commercial and industrial buildings for a minimum of ninety consecutive days. The Vacant Unit Rebate applies to the whole or a portion of commercial and industrial space. The application based program is administered by local municipalities with rebate costs shared between local municipalities, upper tiers and school boards. The current rebate is 30% of the property tax for vacant commercial space and 35% for vacant industrial space. The percentages are applied for the period of the vacancy, not annual taxes. The Richmond Hill rebate program has assisted approximately 130 property owners with total rebates in the range of \$840,000 annually. Richmond Hill's annual share of the rebate averages \$124,000.

New Municipal Flexibility for 2017 and Future Years

In 2016, The Province, in consultation with municipal and business stakeholders undertook a review of the Vacant Unit Rebate program. The review was initiated in response to municipal concerns regarding the appropriateness of the lower tax level provided through the program, and any unintended implications this may have for local economies.

Current program concerns include:

- The Municipal Property Assessment Corporation considers vacancy allowance, chronic vacancy and reduced income due to vacant space, when establishing individual commercial and industrial property assessments. Therefore, a Vacant Unit Rebate, on top of the assessment consideration, can be viewed as double-dipping.
- The 90 day continuous vacancy requirement can discourage landlords from seeking and accepting short term, pop-up or seasonal rentals.
- The Vacant Unit Rebate program is a business benefit that is significantly funded by the residential property class.
- The Vacant Unit Rebate program is not a benefit which is afforded to other property classes.

In response to municipal and other stakeholder requests, the Province moved forward with providing municipalities' broad flexibility for 2017 and future years. Municipal flexibility can include but is not limited to:

- Elimination of the program
- Phase out over several years
- Reduction or phase down of the rebate percentage
- Funding realignment – currently residential class subsidizes the majority of the rebate

- Increasing evidentiary requirements
- Retaining the status quo

Further, the Province is requiring municipalities seeking to make a change engage the local business community and report to Council of the potential impacts to the business community.

Staff advised Council at the May 1, 2017 Committee of the Whole, SRCFS.17.09, of our plans to work with staff from York Region and the eight other local municipalities to obtain feedback from the community. Richmond Hill, Markham and Vaughan conducted information sessions on June 22 in Vaughan, June 26 in Markham and July 13 in Richmond Hill. Invitations to the sessions were mailed to property owners who applied for a rebate in 2016 or 2017, property owners within the Business Improvement Area, the Board of Trade, and notice was posted in the Liberal and on Richmondhill.ca.

An information session in Newmarket on May 30, featured Aurora, King, Newmarket, Georgina, East Gwillimbury and, Whitchurch-Stouffville. Total number of attendees at the information sessions is 28. The majority of attendees were tax specialists or property management representatives.

In addition, Richmond Hill, Markham and Vaughan conducted an online survey from June 5 to July 31. The survey posted to Richmondhill.ca, was linked by Vaughan and Markham. Response highlights are:

- 61 responses.
- 19 respondents stated their business is a current or past applicant for a Vacant Unit Rebate.
- 34 respondents identified themselves as residents, 19 as commercial or industrial business owners or tenants.
- 5 respondents stated their residence or place of business is Richmond Hill, 8 selected Vaughan, 39 Markham and 6 multiple.
- 14 respondents have applied for a Vacant Unit Rebate in the past five years.
- 19 respondents feel the program should remain as is, 20 feel the program should be eliminated.
- 21 respondents indicted elimination of the program will have a significant impact on their business.

The northern six municipalities also conducted a survey. They received 20 responses which split evenly between eliminate and retain the Vacant Unit Rebate program.

Next Steps

In September 2017, York Region Area Treasurers and local municipal Revenue staff met to discuss the feedback received from the information sessions and survey, while considering the challenges of the program. York Region Area Treasurers agreed to recommend utilizing the flexibility offered by the Ministry of Finance, to eliminate the Vacant Unit Rebate program. The recommendation to eliminate the current program will

not take effect prior to January 1, 2018. The January 2018 effective date means, the local municipalities are accepting rebate applications for 2017 vacancies, until end of February 2018, a *Municipal Act, 2001*, deadline.

Municipalities wishing to utilize the flexibility available to them must submit details of proposed changes to the Minister of Finance, along with a Council resolution. In two tiered municipalities, any program changes will be an upper-tier municipal decision.

Staff in each local municipality within York Region is expected to report back to local Council in October. Local Council recommendations will be forwarded to York Region staff for a recommendation expected to be presented to Regional Council in November 2017.

Financial/Staffing/Other Implications:

An average total amount of \$840,000 representing the Town, Region, and School Board portion of taxes was issued in rebates, to property owners who had vacancies in commercial and industrial buildings in Richmond Hill, from 2011 to 2016. Of this total, the Town share of those rebates is \$124,000. Richmond Hill's 2017 budget includes a provision for such adjustments for \$107,000. York Region Council are expected to consider the Vacant Unit Rebate program at a November meeting. If program elimination is approved, and the necessary Provincial regulation received, the savings to the proposed 2018 Town budget will be \$107,000.

Relationship to the Strategic Plan:

The Vacant Unit Rebate program elimination, using the new flexibility provided by the Province, meets the Strategic Plan goal of Wise Management of Resources through the commitment to maintain sound fiscal policy.

Conclusion:

This report has been prepared to inform Council of information sessions, survey results and the staff recommendation to endorse elimination of the Vacant Unit Rebate program and advise York Region staff and Region Council of the position of Richmond Hill Council.

Report Approval Details

Document Title:	17.045 Vacant Unit Rebate.docx
Attachments:	
Final Approval Date:	Oct 2, 2017

This report and all of its attachments were approved and signed as outlined below:

David Dexter - Oct 2, 2017 - 1:22 PM

Mary-Anne Dempster - Oct 2, 2017 - 2:10 PM

Neil Garbe - Oct 2, 2017 - 3:42 PM