



# FORMAL REPORT

<b>To:</b>	Mayor Stratthdee and Members of Council
<b>From:</b>	Jim Brown, Director of Finance
<b>Date of Meeting:</b>	25 April 2017
<b>Subject:</b>	<b>FIN 10-2017 Vacant Unit Rebate and Vacant / Excess Land Subclasses</b>

## PURPOSE

This report presents information to Council regarding the Vacant Unit Rebate and the Vacant / Excess Land subclasses and the change in legislation moving what was a prescribed program of tax rebates or reductions to one allowing municipalities the flexibility to tailor a program to their needs, including the elimination of the rebate or reduction.

## RECOMMENDATION

THAT Council consider the elimination of the Vacant Unit Rebate program; and

THAT Council consider the phase out of the Vacant / Excess subclasses tax reductions; and

THAT staff consult with the local business community and report back to Council on the final recommendation.

## BACKGROUND

In the late 1990's the Province introduced the requirement for municipalities to have a vacant commercial and industrial building rebate program (Section 364 (1) of the *Municipal Act*, 2001). In general the program provided an annual application based property tax rebate of both the municipal and education taxes for commercial and industrial properties that were vacant or partially vacant in that year. The rebate is 30% for commercial applications and 35% for industrial applications. Likewise Section 313(1) of the *Municipal Act*, 2001 requires a 30% reduction in the tax rate for commercial properties assessed in the subclass as vacant / excess land and 35% for industrial properties.

## REPORT

In response to municipal and other stakeholder's requests, the Province is now moving forward with providing municipalities broad flexibility for 2017 and future years. In December 2016 Bill 70 was passed amending the rebate and reduction programs with the removal of the prescribed 30% and 35% rates to be replaced with a program that municipalities will develop to reflect community needs and circumstances, while considering the interests of local businesses. Municipalities will forward their program to the Ministry of Finance to be implemented through regulation.

To implement the change the Province has outlined specific requirements:

- The local business community has to be engaged and the Town has to provide details on how and when the business community has been engaged.
- The potential impacts of any proposed changes on local businesses have to be considered and communicated.

The Province has established a deadline of July 1 for the necessary information being submitted for review and approval to be implement for the 2017 tax year.

The tables below identify the extent of the rebates and reductions provided by the Town. The vacant unit rebate program varies by year and is application based. The vacant / excess land reduction is a consistent amount as it is based on the property's assessed value and automatically forms part of the tax levy calculation.

Vacant Unit Rebates					
Year	Number of Properties	Municipal Rebate	Education Portion	BIA Portion	Total Rebate
2011	15	46,607	33,516	114	80,237
2012	12	40,822	26,994	311	68,127
2013	9	36,215	22,145	260	58,620
2014	8	25,509	16,470	361	42,340
2015	10	13,927	8,599	384	22,910
2016	13	54,891	28,054	383	83,328
2017 (Anticipated)	11	128,948	67,700	340	196,988
<b>Total:</b>	<b>78</b>	<b>\$ 346,919</b>	<b>\$ 203,478</b>	<b>\$ 2,153</b>	<b>\$ 552,450</b>

2017 Vacant / Excess Land Reductions		
Amount	Number of Properties	Total Reduction
Up to \$500	10	2,621
\$501 to \$1,000	8	5,895
\$1,001 to \$1,500	6	6,917
\$1,501 to \$2,000	2	3,469
\$2,001 to \$2,500	1	2,177
\$2,501 to \$3,000	1	2,813
\$12,001 to \$12,500	1	12,171
<b>Total:</b>	<b>29</b>	<b>\$ 36,063</b>

The split is Municipal \$23,968, Education \$12,096.

In considering options, Council may wish to consider the following:

- This is a business benefit that is being subsidized by all property classes in the Town.
- The benefit is not available to other types of property, e.g. residential or multi-residential.
- MPAC does factor a vacancy allowance, economically obsolete areas, chronic vacancy and reduced income from the start. These are also items that are typically targeted during assessment appeals where the property owner / tax agent is looking for a larger allowance. This in essence is allowing "double dipping" at the expense of all property owners.
- Although it is difficult to quantify there is the opinion the program discourages the leasing of some vacant property and the landlord may simply be waiting for increased equity for sale purposes.
- The entire program is highly administrative as designed.
- Several properties have applied for the rebate every year for the past six years. This is not the intent of the program.

## **SUMMARY**

There are a number of options available to Council in regard to the Vacant Unit Rebate Program.

- Eliminate the program, exiting this year in 2017 or a subsequent year.
- Redefine program regarding the types of properties that qualify for the rebate.
- Consider a graduated exit by timeline or percentage of rebate.
- Time limit of being in the program- e.g. can only be in the program for 3 years and then not eligible
- Status Quo - continue with the program as currently exists.

With any change to the program, the local business community is to be engaged, possibly via a public meeting and media outreach as soon as possible in order to meet the 2017 provincial timeline of July 1, 2017 if the intention is to eliminate or revise the program to include the 2017 taxation year.

## **FINANCIAL IMPLICATIONS**

Any change to the program has the potential for a financial impact:

- Elimination of the program will remove staff resources expended on reviewing, monitoring, and verifying applications
- Revising the program parameters (either in percentage, repeat applications, etc.) may reduce the scope of applications the Town receives, and may reduce additional risk due to recent Assessment Review Board decisions relating to vacancy rebates
- Any reduction in these programs will generate savings to the Town

## **OTHERS CONSULTED**

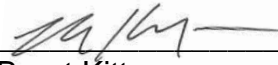
Municipal Property Assessment Corporation  
Other Municipal Tax Collectors

## **ATTACHMENTS**

Ministry Vacant Rebate and Reduction Programs Bulletin

Respectfully submitted,

  
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Jim Brown  
Director of Finance

  
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Brent Kittmer  
CAO / Clerk