

The Corporation of the City of Kawartha Lakes

Council Report

Report Number CORP 2017-004

Date: February 21, 2017

Time: 2:00 p.m.

Place: Council Chambers

Ward Community Identifier: All

Subject: Vacant Unit Rebate Program

Author/Title: Christine Norris

Signature: 
Manager, Revenue & Taxation/Deputy Treasurer

Recommendation(s):

RESOLVED THAT Report CORP2017-004, **Vacant Unit Rebate Program**, be received;



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

THAT staff consult with the local business community and report back to Council on the final recommendation to be forwarded to the Province for Regulatory authority by the end of April 2017.

Department Head:

Corporate Services Director / Other:

Chief Administrative Officer:

Background:

In the late 1990's the Province introduced the requirement for municipalities to have a vacant commercial and industrial building rebate program. The program applied to buildings that were entirely vacant, or where the building was partially vacant and the suite or unit (commercial) or portion of building (industrial) was unused and clearly delineated or physically separated from the used portions of the building. In the case of commercial buildings there was an additional criteria to apply for the rebate where the space was capable of being leased for immediate occupation or not capable of being leased for immediate occupation because it was undergoing repairs or renovations, or it was in need of repairs or renovations, or it was unfit for occupation. To apply for the rebate the vacancy had to exist for at least 90 consecutive days.

Properties, seasonal in nature, are not eligible for the program nor are buildings that are vacant but leased to a tenant. The same applies for new buildings that have never been occupied as they are included in the vacant land sub-class and are already taxed at a reduced rate.

The amount of the rebate is 30% for commercial applications and 35% for industrial applications. Applications may be filed twice per year with the deadline being the last day of February of the following tax year. The municipality has 120 days to process the application which includes submitting the application to MPAC for valuation of the vacant area and verification of the supporting documentation and site visits to verify the vacancy. If the rebate is not paid within the legislated timeframe the municipality is required to pay interest. The cost of the rebate (not including interest) is share proportionately with the school boards.

The table below indicates the total number of properties with successful applications since 2001 (2001 and 2002 shown in 2003) along with the cost to the municipality. Based upon 2015 applications this is approximately 3% of the total properties in the commercial and industrial property classes.

Year	Total Municipal Rebate	Number of Properties
2003	152,837.48	148
2004	47,528.82	72
2005	97,346.10	57
2006	71,046.01	65
2007	74,926.62	67
2008	64,200.14	63
2009	80,140.13	66
2010	65,728.31	64
2011	69,263.84	72
2012	65,287.89	64
2013	83,948.64	60
2014	65,191.86	70
2015	62,630.65	60
2016	70,540.94	51
Grand Total:	1,070,617.43	979

The *2016 Ontario Economic Outlook and Fiscal Review* released by the Province announced legislative framework to facilitate potential program changes as a result of an ongoing review of the program. The Province is providing municipalities with broad flexibility to tailor the program to reflect community needs and circumstances. The interests of local businesses must also be taken into consideration.

To implement change the Province has outlined specific requirements:

- The local business community has to be engaged and the City 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 deadlines of March 1, April 1 or July 1 for the necessary information being submitted for review and approval to implement change for the 2017 tax year applications and Regulatory change.

The property tax and assessment fields have evolved since 1998 and municipalities have actively sought the ability to change the program to reflect local needs. These programs have resulted in numerous appeals to the Assessment Review Board resulting in varying interpretation of the legislation with sizable rebates in circumstances that in do not fall within the interpretation of the program. This is the City's opportunity to decide whether the program truly reflects our community needs and circumstances.

Rationale:

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 City
- 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.
- The current program has a 90-day vacancy requirement – if the program is redefined consideration may be given to look at possible uses during the 90 period that would not eliminate the property owner from the program – e.g. temporary use for a charity, use for advertising of a special event in a downtown area
- 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

There are a number of options available to Council to modify or eliminate the Vacant Unit Rebate Program.

Staff is recommending:

- the elimination of the program and
- in order to ensure the local business community is engaged staff recommends 2 meetings be arranged as soon as possible – one in Lindsay and one in Fenelon Falls with a follow up report to Council at the earliest possible opportunity to meet the Provincial timelines.

Where a property is under repair or renovation that prevented the normal use of the land for a period of at least three months during a year the property would still be eligible for tax reduction under section 357 (g) of the *Municipal Act, 2001*.

Other Alternatives Considered:

- 1) Redefine Program – redefine the types of property that are eligible for the program.
 - excluded from the program by by-law would include storage units, hotels, fuel storage tanks, gravel pits, where the business is closed due to strike or lockout, etc.

- ensure the property is actively being marketed
 - look at an admin fee for processing the applications
 - have a property standards component of the application process ensuring the property is properly maintained during the vacancy
 - time limit of being in the program – e.g. can only be in the program for 3 years and then not eligible
- 2) Realign the funding of the rebates - the program could be funded from the commercial and industrial broad property classes.
- 3) Status Quo – continue with the program as currently exists.

Financial Considerations:

In 2016 the City rebated \$70,500 in property taxes to 51 properties. Since 2011 21% of the properties that have applied for a rebate have applied for a rebate 5 of the 6 years and 23% of the properties have applied for 6 of the 6 taxation years. This is not the intent of the program.

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

- elimination will reduce the amount of the rebates paid (although there may be an increase in tax reductions as a result of renovations/repairs) and staff resources will not be expended on reviewing, monitoring, and verifying applications
- revising program parameters may reduce the scope of applications the City receives and may reduce additional risk due to recent Assessment Review Board decisions relating to vacancy rebates
- realigning the funding will reduce the burden on the property classes that are not subject to the rebate, shifting the burden of the program to the property classes that are able to access the program

Relationship of Recommendation(s) To The 2016-2019 Strategic Plan:

This Report addresses the Strategic Goal of A Vibrant and Growing Economy. The vacant unit rebate is thought by some as a way to deter from a vibrant community with the number of buildings that are left vacant in some areas. By eliminating the rebate there is no benefit from a property tax perspective to having space remain vacant and it may encourage more creative ways of filling space.

Review of Accessibility Implications of Any Development or Policy:

Not Applicable

Servicing Comments:

Not Applicable

Consultations:

Not Applicable

Attachments:

Please ensure that all attachments are forwarded with the signed report.

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Department File: