



City of  
**Peterborough**

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**To:** **Members of the Committee of the Whole**

**From:** **Sandra Clancy, Director of Corporate Services**

**Meeting Date:** **April 18, 2017**

**Subject:** **Report CPFS17-015**  
**Potential Revisions to the Vacancy Rebate Program**

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## **Purpose**

A report to provide Council with background information on the current Vacancy Rebate Program that provides an annual property tax rebate to eligible vacant commercial and industrial properties and to recommend that Council consider making changes to the program.

## **Recommendations**

That Council approve the recommendations outlined in report CPFS17-015 dated April 18, 2017, of the Director of Corporate Services as follows:

- a) That Council considers the options available in this report and in particular, the phasing out the program over the budget years 2018- 2020, pending consultation with community stakeholders.
- b) That staff consult with the local business community and report back to Council on the final recommendation as a result of these consultations with the final recommendation to be forwarded to the Province by the end of June 2017.

## **Budget and Financial Implications**

There are no budget and financial implications for staff to consult with the business community and obtain feedback for potential revisions to the Vacancy Rebate Program.

An amount of \$300,000 has been included in the 2017 Operating Budget for the Vacancy Rebate Program which would be reduced to zero over the 3-year phase in period if Council eventually approves this option.

## Background

### History

Since 1998, municipalities have been required to participate in a Vacancy Rebate Program that provides property tax relief through a rebate of property taxes to owners of vacant Commercial and Industrial buildings.

Currently, owners of commercial properties may apply for a 30% rebate of the property taxes attributable to vacant space and owners of industrial properties may apply for a 35% rebate. In order to qualify for a rebate, there are a number of eligibility requirements that must be met, including:

- vacant for a minimum of 90 consecutive days;
- area must be physically separated from the used portions of the building;
- the business must not be seasonal in nature; and
- the area must be capable of being leased for immediate occupation or undergoing renovations.

The table below indicates the total number of properties with successful applications since 2011 along with the cost to the Municipality and the Province.

<b>Year Processed</b>	<b>Total Municipal Rebate</b>	<b>Total Education Rebate</b>	<b>Number of Properties</b>
2011	230,335.67	182,888.58	81
2012	304,338.59	228,794.04	87
2013	356,147.43	257,167.12	90
2014	379,766.62	278,150.31	94
2015	304,206.93	226,630.74	102
2016 <sup>(1)</sup>	281,208.10	208,873.98	102
<b>Total</b>	<b>1,856,003.34</b>	<b>1,382,504.77</b>	

### Notes:

- 1) In 2016, 8% of the commercial/industrial properties in Peterborough received tax relief for the 2015 calendar year under this program.
- 2) Data for the 2016 calendar year is not yet available.

## Options for Changes to Existing Program

In response to municipal and stakeholder requests, the Province has reviewed the Vacancy Rebate Program and is providing municipalities with flexibility for 2018 and future years by allowing municipalities to make changes to the program. The 2016 Ontario Economic Outlook and Fiscal Review released by the Province announced a legislative framework to facilitate potential program changes. Proposed changes will be implemented through changes to regulations.

Several options are available:

1. Eliminate the rebate program in its entirety immediately.

A number of municipalities have chosen this option including the City of Windsor, Town of Port Hope and City of Aurora.

2. Phase out the program over a 3-year period.

- Applications received in 2018 for the 2017 tax year would be processed as normal with a letter sent to each successful applicant advising them of the phasing out of the program.
- Applications received in 2019 for the 2018 tax year would be eligible for a rebate of 20%.
- Applications received in 2020 for the 2019 tax year would be eligible for a rebate of 10%.
- No rebate would be offered in 2021 for the 2020 tax year and subsequent years.

Municipalities that are opting to phase out the program include: the City of Hamilton, Town of Oakville, Town of Parry Sound, City of Ottawa, City of Kawartha Lakes and City of Toronto.

3. Status Quo – no changes to the current program.
4. Revise the current Program – there are numerous options that Council may want to consider:
  - i. Instead of 90 day vacancy, make the minimum length 6 months
  - ii. Change rate to a lesser amount, eg. 20%
  - iii. Further limit property types eligible for the program, eg. omit mini storage facilities.

## Discussion

When MPAC prepares the property assessments for taxation purposes, vacancy is part of the assessed value for properties that are valued using the Income method. The vacancy rate applied is not specific to the property but rather a rate that is used for "typical" buildings in the area. For example, shopping centres are usually valued on Income and the vacancy rates applied to them would be the same as applied to other shopping centres in the area. Office buildings are also valued on Income. All other commercial/industrial properties are valued on cost and vacancy is not taken into consideration.

Although very difficult to demonstrate, many feel that the Vacancy Rebate Program contributes to buildings remaining vacant for extended periods of time and having an overall negative impact on the areas in which they are situated. The program may impede landlords from accepting requests for short term revenue generating uses or granting it out on a charitable basis.

A repeal of the program would help encourage property owners to fill vacant spaces as well as restore empty run down buildings. The City already has programs to assist in this regard. As an example, there are currently a number of incentive programs for businesses wishing to renovate their buildings, such as the Central Area Revitalization Program and the Façade Improvement Program. Local business owners can also take advantage of the Municipal Incentive Grant Program as well as the Residential Conversion and Intensification Grant Program. These incentive programs offer a variety of ways by which local business owners can offset the cost of improving their spaces. Tax relief will still be available to commercial and Industrial property owners during renovations that last more than three months under **Section 357 of the Municipal Act**.

In addition, the Tax Ratio Reduction program which began in 2008 will conclude in 2021 and at that time the tax ratio for Commercial and Industrial properties will have been reduced to 1.50.

The Vacancy Rebate Program is being subsidized by all property classes in the City of Peterborough. There is no rebate program available to owners of vacant residential or multi-residential properties.

## Preliminary Staff Opinion

Based upon the previous discussion, and subject to change as a result of the community consultation process, staff are of the opinion that the program should be phased out over a three year period. A phased approach will provide some time for the property owners rather than eliminating it all at once.

## Next Steps

To implement changes to the program the Province has outlined specific requirements:

- Municipalities that intend to change the program must notify the Minister of Finance and provide details of the proposed changes along with a Council resolution no later than July 1, 2017.
- The local business community must be engaged and the City must communicate potential impacts of proposed changes to the business community.
- Details regarding how the local business community has been engaged must be included in the proposal to the Province.

In order to meet the requirement regarding the engagement of the local business community, staff is recommending a Media Release as well as consulting the Chamber of Commerce, the Downtown and East City BIAs and Peterborough Economic Development with proposed changes. Staff is also recommending an open house where information can be brought forward and any concerns can be addressed.

## Summary

Council endorsement of this report will provide staff with the direction to engage the local business community regarding the rebate options available to formalize a recommendation to Council at a later date.

Submitted by,

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Director of Corporate Services

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