

**CITY OF VAUGHAN**

**EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 16, 2017**

Item 1, Report No. 5, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on May 16, 2017.

**1 VACANCY REBATE PROGRAM – COMMERCIAL AND INDUSTRIAL PROPERTIES**

(Referred)

- 1) **That consideration of this matter be deferred to a future Finance, Administration and Audit Committee meeting to allow staff to obtain further information and detail, in accordance with Communication C1, memorandum from the Chief Financial Officer and City Treasurer and the Director of Financial Services/Deputy City Treasurer, dated May 1, 2017.**

Council, at its meeting of March 21, 2017, adopted the following recommendation (Item 7, Finance, Administration and Audit Committee Report No. 3):

That the following be approved in accordance with Communication C2, from the Chief Financial Officer and City Treasurer and the Director of Financial Services/Deputy City Treasurer, dated March 17, 2017:

1. That this item be deferred to the May 1, 2017, Finance, Administration and Audit Committee meeting.

**Recommendation of the Finance, Administration and Audit Committee meeting of March 6, 2017:**

The Finance, Administration and Audit Committee recommends:

- 1) That consideration of this matter be deferred to the Finance, Administration and Audit Committee meeting of April 3, 2017; and
- 2) That Communication C1 from the Chief Financial Officer and City Treasurer and the Director of Financial Services/Deputy City Treasurer, dated February 24, 2017, be received.

**Report of the Chief Financial Officer and City Treasurer and the Director of Financial Services/Deputy Treasurer, dated March 6, 2017**

**Recommendation**

The Chief Financial Officer and City Treasurer and the Director of Financial Services/Deputy Treasurer, in consultation with the Manager of Property Tax & Assessment recommend:

1. THAT Council provide direction to staff on whether to communicate a preference for elimination or modification of the Vacancy Rebate Program to York Region staff for input into York's position paper to the Minister of Finance;
2. THAT staff be directed to participate in the ongoing discussions, and
3. THAT staff report back to Council on the final recommendations that will be made to Regional Council, and if approved, sent to the Province for regulatory authority.

**Contribution to Sustainability**

Elimination of the Vacancy Rebate Program contributes to sustainability by reducing funds rebated to commercial and industrial properties and thereby increasing resources to deliver the City's programs and services, achieve the priorities set out in the Term of Council Service Excellence Strategy map, and achieve long-term financial sustainability.

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##### **Communications Plan**

Advertised notices for any changes made to the Vacancy Rebate program will be posted in all local papers as well as the City's website.

##### **Economic Impact**

A review of the years 2011 through 2015 indicates that staff processed an average of 339 applications annually and that annual average savings of \$309,000 in rebates and a further \$44,000 in expenses dues to the verification process could be achieved, if the Vacancy Rebate program was eliminated. Staff time saved would be redeployed to more value-added customer service functions.

##### **Purpose**

The purpose of this report is to provide Council with background on the current Vacancy Rebate program that is in place to provide annual property tax rebates to eligible vacant commercial and industrial properties and to inform Council on the current policy changes being considered for the program.

##### **Background - Analysis and Options**

Introduced in 2001, municipalities are required by the Municipal Act (s.364) and Ontario Regulations 325/01 and 300/03, as amended, to have a Vacancy Rebate Application program that provides property tax relief through a rebate of property taxes to owners of vacant commercial and industrial buildings. Any property owner or authorized representative of a commercial or industrial building may submit a Vacancy Rebate Application to the City of Vaughan by the last day of February in the year following the property tax year in question.

The amount of the rebate for commercial properties is 30 per cent of the tax attributable to the eligible vacant space. For industrial properties the rebate is 35 per cent of the tax attributable to the eligible vacant space. There is a very specific calculation that is completed for the final rebate amount.

On December 21, 2016, the Ministry of Finance released their Property Tax Decisions memo for 2017. The Province confirmed that they are now moving forward with providing municipalities' (at the upper and single tier level) broad flexibility for 2017 and future years with respect to the program. The intent is to allow municipalities to tailor the program to reflect their community needs and circumstances while considering the interests of local businesses.

The Ministry has given municipalities three dates (March 1, April 1 or July 1 of 2017) to submit details of any proposed changes along with a council resolution from the upper tier to the Minister. The resolution must come from the Region of York to ensure that the program advocated is suitable region-wide.

Staff are working with Region of York staff as well as the nine other municipalities to develop a consensus view with respect to any potential changes to the program. The potential changes that are being considered include:

- Complete elimination of the program
- Reducing the percentage of tax that is rebate for all applicants
- Phasing down the percentage of rebates over 2-5 years
- Increasing the evidentiary documentation required with the application process in order to reduce the administration costs and enhance the reliability of the applications

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- Realigning the funding of the rebates so the residential taxpayer does not bear the burden of these commercial/industrial tax rebates

Information that Council may want to consider:

- This is a business benefit that is subsidized by the residential class.
- Landlords of both single and multi-unit residential properties are not entitled to a rebate when their property is vacant.
- When MPAC prepares the property assessments for taxation purposes, vacancy allowance, chronic vacancy and/or reduced income due to vacant space is factored into the assessment value from the start. Subsequently when owners appeal their assessment values, one of the factors they will negotiate is the vacancy allowance. Therefore, vacancy is already accounted for in the assessed value, and refunds in addition to that are in effect “double dipping”.
- The program impedes landlords from accepting requests for short term revenue generating uses or grant on a charitable basis.
- Although very difficult to demonstrate, there is a belief that the program actually goes so far as to discourage the leasing of some vacant properties.
- Staff time could be redeployed to more value-added functions.

Updates to this process will be provided as discussions move forward. Any changes to the program would be effective as early as 2018 from applications made for the 2017 tax year.

#### **Relationship to Term of Council Service Excellence Strategy Map (2014-2018)**

The elimination of the Vacancy Rebate Program supports the strategic priorities established by the Service Excellence Strategy Map, in particular to ensure “Financial Sustainability”.

#### **Regional Implications**

A review of the years 2011 through 2015 indicates that an approximate average annual savings of \$551,000 would be returned to the Region as well as \$1,237,000 for Education, if the Vacancy Rebate Program was eliminated.

#### **Conclusion**

The elimination of the Vacancy Rebate Program will return approximately \$2,097,000 in tax rebates back to the City, Region of York and School Boards.

#### **Attachments**

Attachment 1 – Communication C1, dated February 24, 2017

#### **Report prepared by:**

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(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)