

## **CITY OF VAUGHAN**

### **EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 24, 2017**

Item 2, Report No. 9, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on October 24, 2017.

## **2 VACANCY REBATE PROGRAM – COMMERCIAL AND INDUSTRIAL PROPERTIES**

The Finance, Administration and Audit Committee recommends:

- 1) That the City of Vaughan support the elimination of the Vacancy Rebate Program effective for the 2018 tax year;
- 2) That the following report of the Chief Financial Officer and City Treasurer and the Director of Financial Services/Deputy Treasurer, dated October 2, 2017, be received; and
- 3) That Communication C1, memorandum from the Chief Financial Officer and City Treasurer and the Director of Financial Services/Deputy City Treasurer, dated October 2, 2017, be received.

### **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.

### **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.

### **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.

**CITY OF VAUGHAN**

**EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 24, 2017**

Item 2, Finance Report No. 9 – Page 2

**Background - Analysis and Options**

We reported to the Finance, Administration and Audit Committee on March 6, 2017. At that time, Council was advised that consultations would take place over the summer. Discussions are ongoing, at a staff level, with York Region Municipalities. York Region staff anticipate providing a report to Regional Council in November. We will provide a communication to the October 2<sup>nd</sup> Finance, Administration and Audit Committee on the consultations that occurred over the summer.

Attached is the extract from the referred item of March 6, 2017 Finance, Administration and Audit Committee that provides the background.

**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**

1. Extract FAA Report - March 6, 2017 – Referred Item

**Report prepared by:**

Maureen Zabiuk, A.I.M.A., CMRP  
Manager, Property Tax & Assessment, Ext. 8268

(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.)



# memorandum

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**COMMUNICATION**  
FAA - October 2 / 2017  
ITEM - 2

**DATE:** OCT 2, 2017

**TO:** MAYOR AND MEMBERS OF COUNCIL

**FROM:** LAURA MIRABELLA-SIDDALL, CHIEF FINANCIAL OFFICER AND CITY TREASURER  
DEAN FERRARO, DIRECTOR OF FINANCIAL SERVICES/DEPUTY CITY TREASURER

**RE:** COMMUNICATION – FINANCE, ADMINISTRATION AND AUDIT COMMITTEE - OCTOBER 2, 2017, ITEM #2  
VACANCY REBATE PROGRAM – COMMERCIAL AND INDUSTRIAL PROPERTIES

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This communication is to provide additional information to the Finance, Administration and Audit Committee of Item #2, Vacancy Rebate Program, Commercial and Industrial Properties.

The Ministry of Finance requires that local municipalities consult with the local business community prior to the upper tier submitting its recommendation for changes to the Vacancy Rebate Program. The City's Tax Department, in conjunction with both the Economic Development and Culture Services Department and the Vaughan Chamber of Commerce, as well as staff from Markham, Richmond Hill and the Region of York completed three joint consultations with the "Southern Three" business community. Further, the "Northern Six" (York Region municipalities) also held a consultation within their municipalities. In total, staff held four public meetings and made available two online surveys over the course of three months, detailed as follows:

	Host	Dates
Northern Six	Town of Newmarket	May 30, 2017
Southern Three	City of Vaughan	June 22, 2017
	City of Markham	June 26, 2017
	Town of Richmond Hill	July 13, 2017

- Total number of attendees at local business consultation meetings: **28**
- Total number of survey respondents: **81**
- The total number of commercial and industrial businesses in York Region are **25,274**

The result of the online surveys, as shown below, is that residential property tax payers were the most vocal in their opinion that the program should be eliminated. This result is not surprising as the residential class bears most of the cost of the program and there are no benefits to seeing vacant business space in their communities.

	Businesses	Residents	Other*	Total Count
Eliminate program	3	27	0	30
Keep program as is	28	1	3	32
Keep rebate; modify program	6	9	2	17
Other**	0	2	0	2
<b>Total</b>	<b>37</b>	<b>39</b>	<b>5</b>	<b>81</b>
<b>Total Percentage of Respondents</b>	<b>46%</b>	<b>48%</b>	<b>6%</b>	<b>100%</b>

\*Note: representatives from the Chamber of Commerce, tax agents/consultants

\*\*Note: no comments were provided

\*\*\*Results are from the online survey only

Staff is recommending that Vaughan support the elimination of the program effective for the 2018 tax year, similar to Toronto and Ottawa. This will allow time for staff to advise those businesses applying for the 2017 tax year (applications are received and processed in early 2018) that it will be the final year and not burden any businesses that may have budgeted for the rebate for 2017.

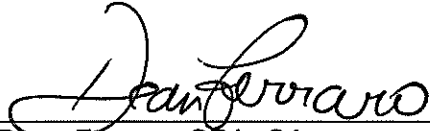
Primary reasons for the recommendation include:

- This is a business benefit that is funded primarily by the residential class.
- This is not a benefit that is provided to any other classes of property such as residential or multi-residential.
- Vacancy is provided for in the assessment value for most non-residential business properties. 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. This in essence makes this program a 'double dip'. Subsequently when owners appeal their assessment values, one of the factors they will negotiate is the vacancy allowance.
- The program may discourage the leasing of some vacant properties, which can be detrimental to other businesses in close proximity.
- The program may encourage the purchase and holding of vacant business properties for equity gains only.
- As of early September 2017, 29 municipalities have applied to the Province requesting the program be completely eliminated within 1-2 years.
- Within York Region, both Aurora and Whitchurch-Stouffville have already passed resolutions supporting elimination of the program.

Respectfully submitted,

Handwritten signature of Laura Mirabella-Siddall in black ink, written over a horizontal line.

Laura Mirabella-Siddall, CPA, CA  
Chief Financial Officer and City Treasurer

Handwritten signature of Dean Ferraro in black ink, written over a horizontal line.

Dean Ferraro, CPA, CA  
Director, Financial Services/Deputy City Treasurer

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

**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;

**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.

**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**

We reported to the Finance, Administration and Audit Committee on March 6, 2017. At that time, Council was advised that consultations would take place over the summer. Discussions are ongoing, at a staff level, with York Region Municipalities. York Region staff anticipate providing a report to Regional Council in November. We will provide a communication to the October 2<sup>nd</sup> Finance, Administration and Audit Committee on the consultations that occurred over the summer.

Attached is the extract from the referred item of March 6, 2017 Finance, Administration and Audit Committee that provides the background.

**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**

1. Extract FAA Report - March 6, 2017 – Referred Item

### **Report prepared by:**

Maureen Zabiuk, A.I.M.A., CMRP  
Manager, Property Tax & Assessment, Ext. 8268

Respectfully submitted,

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Laura Mirabella-Siddall, CPA, CA  
Chief Financial Officer and City Treasurer

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Dean Ferraro, CPA, CA  
Director of Financial Services/Deputy Treasurer

## CITY OF VAUGHAN

**EXTRACT FROM COUNCIL MEETING MINUTES OF MARCH 21, 2017**

Item 7, Report No. 3, of the Finance, Administration and Audit Committee, which was adopted, as amended, by the Council of the City of Vaughan on March 21, 2017, as follows:

***By approving the following 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.***

## **7 VACANCY REBATE PROGRAM – COMMERCIAL AND INDUSTRIAL PROPERTIES**

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.

### **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.

### **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 due 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.



## **CITY OF VAUGHAN**

### **EXTRACT FROM COUNCIL MEETING MINUTES OF MARCH 21, 2017**

#### **Item 7, Finance Report No. 3 – Page 2**

##### **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
- 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.

**CITY OF VAUGHAN**

**EXTRACT FROM COUNCIL MEETING MINUTES OF MARCH 21, 2017**

Item 7, Finance Report No. 3 – Page 3

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**

None

**Report prepared by:**

Maureen Zabiuk, A.I.M.A., CMRP  
Manager, Property Tax & Assessment, Ext. 8268