



## The Corporation of the Town of LaSalle

<b>Date:</b>	October 18, 2017	<b>Report No:</b>	FIN-31-2017
<b>Directed To:</b>	Members of Council	<b>Attachments:</b>	Vacant Unit Property Tax Rebate Consultation
<b>Department:</b>	Finance		
<b>Prepared By:</b>	Marilyn Abbruzzese, B.A., BComm Supervisor of Revenue	<b>Policy References:</b>	None
<b>Subject:</b>	Vacancy Rebate Program Elimination		

### **Recommendation:**

That council support the elimination of the Vacant Unit Property Tax Rebate Program in Essex County, and that council request Essex County council to seek approval from the Minister of Finance to enact a Regulation for Essex County to eliminate this Program, commencing for the 2018 taxation year.

### **Report:**

Finance Report FIN-15-2017, recommending that the Town work collectively with the County Tax Collectors and Treasurers group to conduct a county-wide public consultation session to propose the elimination of the Vacancy Rebate Program in Essex County for the 2018 taxation year was adopted by Council at the June 13, 2017 Regular Council Meeting.

The County-wide open house was held on September 27, 2017 from 4:00 pm to 7:00 pm at the Essex County Civic Centre. A slide presentation highlighting changes to legislation, program challenges and potential options was available for those who attended and was posted to the County web site and is attached as an appendix to this report. Representatives from the County and each of the lower tier municipalities were in attendance to address any questions that may have arisen.

The open house was advertised in all local papers, through social media, on the County and Town's web sites and directly via letters to Commercial and Industrial property owners who submitted a 2016 Vacancy Rebate application to the Town of LaSalle.

Property owners were invited to provide their comments on the proposed elimination of the program at the open house or alternatively through an online survey available from September 18<sup>th</sup>, 2017 to September 30<sup>th</sup>, 2017 or through email to the County.

### **Comments:**

There were 32 responses to the online survey, two emails received and one attendee at the open house.

The following table summarizes the responses received from the online survey:

Do you benefit from a tax reduction for a vacant unit/land?	Yes	6
	No	26
How important is a tax reduction for a vacant unit/land?	Not important	17
	Neutral	3
	Somewhat important	2
	Extremely important	10
What impact would discontinuation of the program have?	Limited impact	23
	Significant impact	9

Of the two emails received, one can be summarized as against the proposed elimination of the program and the other can be summarized as neutral to the proposed elimination of the program.

The one open house attendee was present to observe and did not provide an opinion on the proposed elimination of the program at the open house.

Opinions expressed by participants in the public consultation process ranged both for and against the existing program, with a greater number of respondents favouring the elimination of the program. Reasons provided by respondents touched on the advantages and disadvantages of the program that were identified in Finance Report FIN-15-2017 those being:

### **Advantages**

- Provides financial relief to owners to offset loss of rental revenue
- Provides a measure of building security through lean economic times by reducing the incentive to simply demolish vacant buildings that may be viable once the economy recovers
- Tax savings can be used to reinvest in the vacant property to increase rental viability in the future

**Disadvantages**

- Some properties receive vacancy rebate payments year after year which suggests the program is not addressing the main reason why the property is vacant
- Can contribute to speculative investment purchases of property that finance a period of vacancy longer than would otherwise be the case without the vacancy rebate program
- Discourages seasonal renting of commercial space (lease terms less than one year) and market driven rental rates
- Administrative resources required to administer program effectively
- Tax savings from rebate program may not be used to increase rental viability

After review of the feedback received through the online survey, email responses and open house attendance, the consensus of the County Tax Collectors and Treasurers group remains that the vacancy rebate program be eliminated for the 2018 taxation year.

Ministry of Finance approval is required to make any changes to the Vacancy Rebate Program. It is anticipated that the decision of County Council will be sent to the Minister of Finance prior to the end of 2017, requesting that the recommended change be implemented for 2018.

**Consultations:**

County Tax Collectors and Treasurers

**Financial Implications:**

The Town of LaSalle processes an average of 14 vacancy rebates annually with a rebate value of approximately \$67,732.00 (Municipal Rebate \$24,003.00, County Rebate \$11,779.00, School Board \$31,950.00).

Elimination of the program will allow the municipality to redirect approximately \$24,000 per year towards other programs/services and/or reduce the general tax levy.



If you have any further questions, please do not hesitate to contact me.

Yours truly,



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Marilyn Abbruzzese, B.A.,  
BComm  
Supervisor of Revenue

<i>Reviewed by:</i>						
 CAO	 Finance	Council Services	Public Works	Development & Strategic Initiatives	Culture & Recreation	Fire Services



# Vacant Unit Property Tax Rebate Consultation

Wednesday, Sept. 27, 2017



essex

Kingsville  
ONTARIO

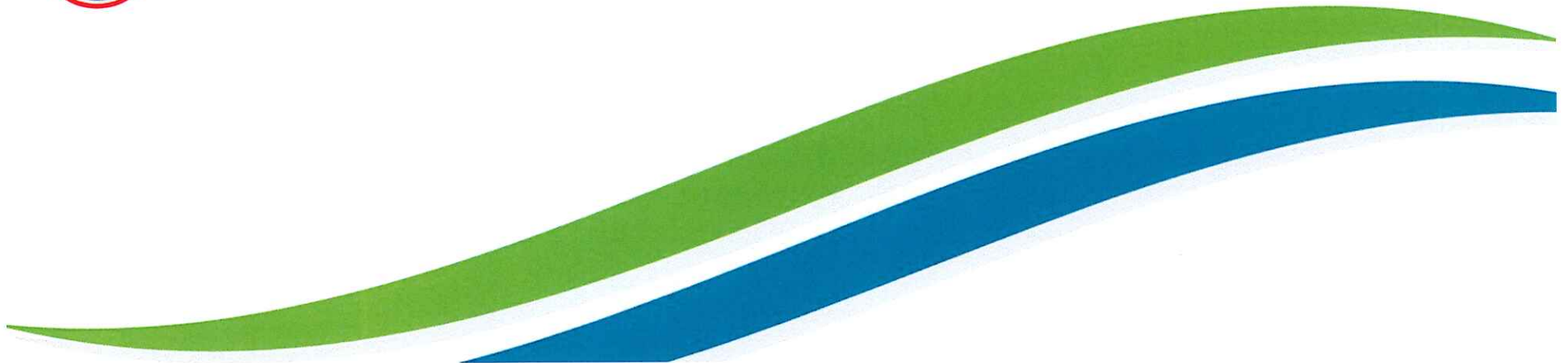
Lakeshore

LaSalle



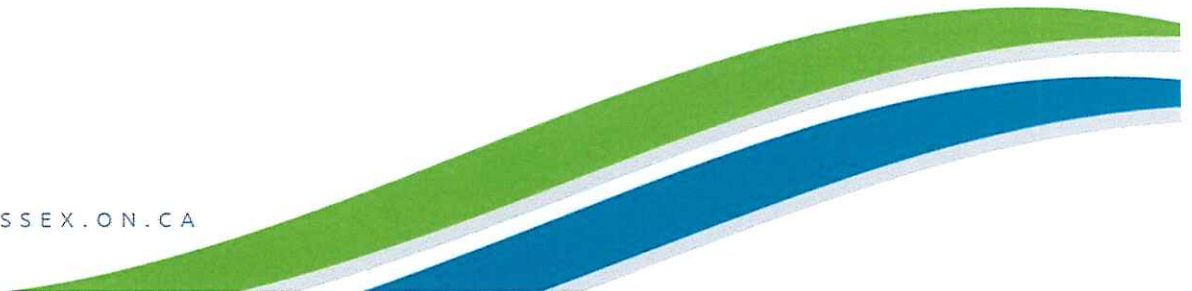
Municipality of  
**Leamington**  
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TOWN OF  
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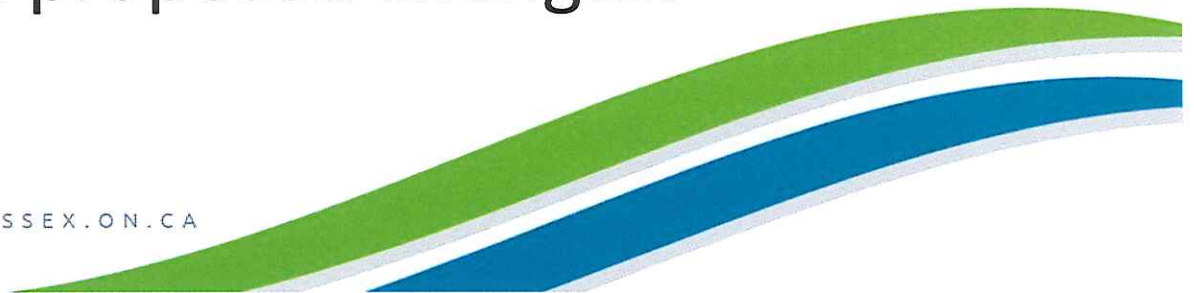
# Agenda

- Welcome
- Vacant Unit Property Tax Rebate Program
- Provincial Amendments
- Current Program Challenge and Considerations
- Program Costs
- Future Program Options
- Next Steps



# Welcome

- The County of Essex and all seven local municipalities in Essex County are considering the merits of the Vacant Unit Property Tax Rebate Program.
- We are soliciting feedback from commercial, industrial and residential property owners
- There are three ways for you to provide your feedback on the proposed changes:



# Public Consultation Meeting

- We invite anyone attending the Open House to provide your comments to a representative from the municipality in which your business is located.
- Printed copies of the survey are available for you to complete at the Open House.
- Workstations have been setup at the Open House to complete the survey online.



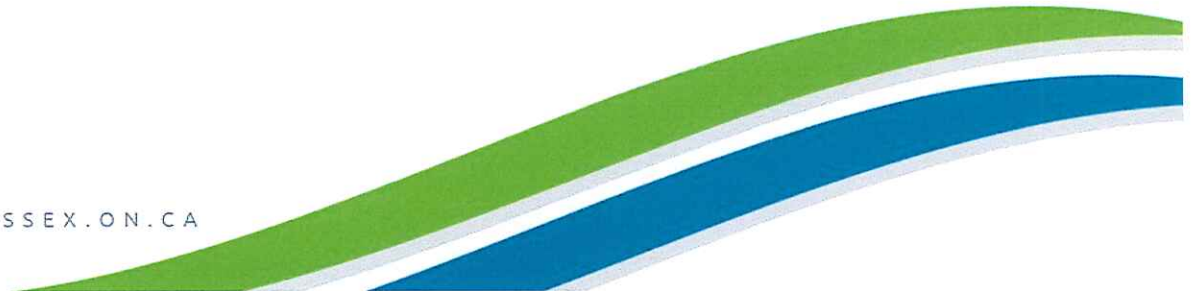
# Online Survey

- You may provide comments through an Online Survey
- Visit: [countyofessex.on.ca](http://countyofessex.on.ca)
- Links to survey also available on Essex County local municipalities websites
- Survey results will be accepted until end of day, September 30th, 2017



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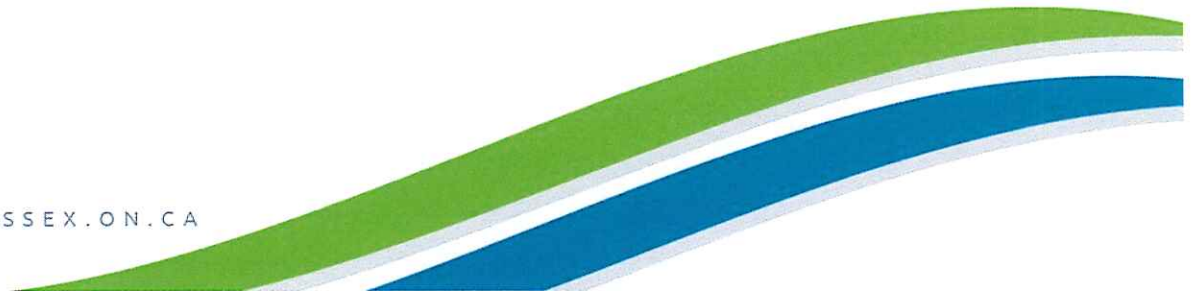
# E-mail Comments

- You may provide comments by e-mailing them to [info@countyofessex.on.ca](mailto:info@countyofessex.on.ca) until September 30th, 2017



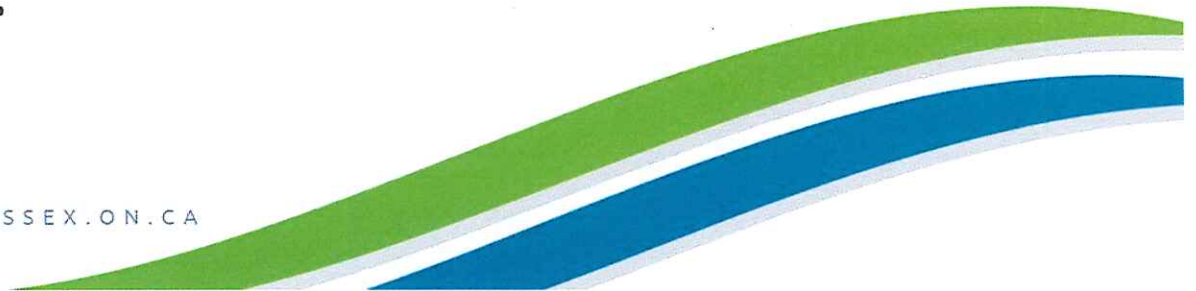
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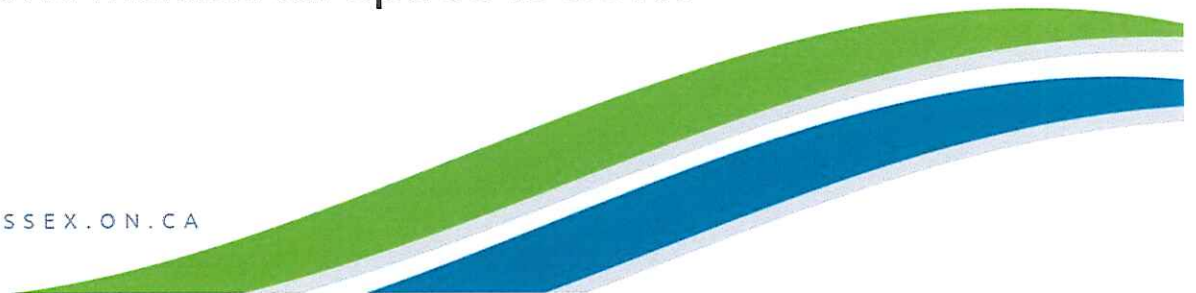
# Overview

- Introduced in 2001, the Vacant Unit Property Tax Rebate Program provides property tax relief to owners of vacant commercial and industrial buildings.
- Local municipalities are mandated to have a program to provide tax rebates to owners of commercial or industrial property who have vacant portions.



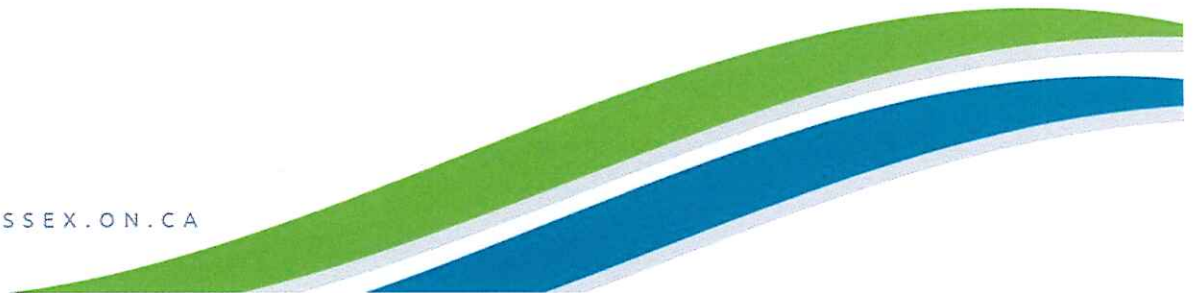
# Overview (cont'd)

- Property owners may apply to the municipality for a tax rebate for periods of vacancy.
- For commercial or industrial buildings to be eligible, the property or a portion of the property must be vacant for a period of at least ninety (90) consecutive days.
- Applicants are also required to meet specific municipal evidentiary requirements that must be satisfied for the owner to be entitled to the rebate.
- The current rebate percentage amount for vacant commercial space is 30% and vacant industrial space is 35%.



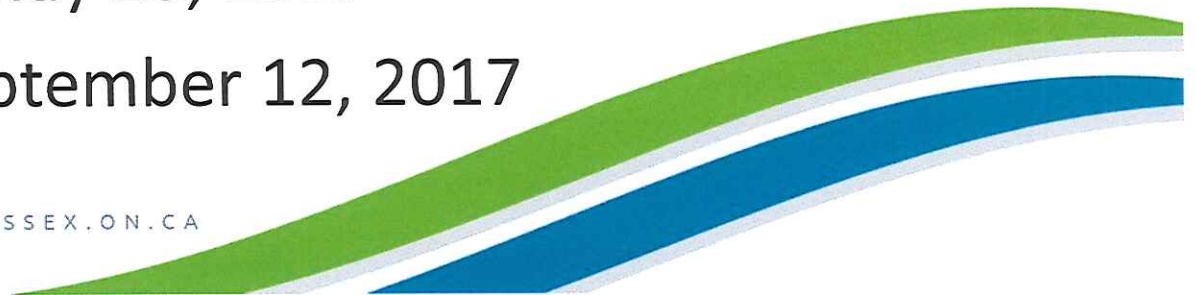
# Provincial Amendments

- In 2016, the Province, in consultation with municipal and business stakeholders, undertook a review of the vacant unit property tax rebate program.
- The review was initiated in response to municipal concerns of any unintended implications this may have for local economies.
- On November 14, 2016, the Province released its Fall Economic Statement which provided municipalities with broader flexibility to tailor the Vacant Unit Rebate program to reflect community needs and circumstances.



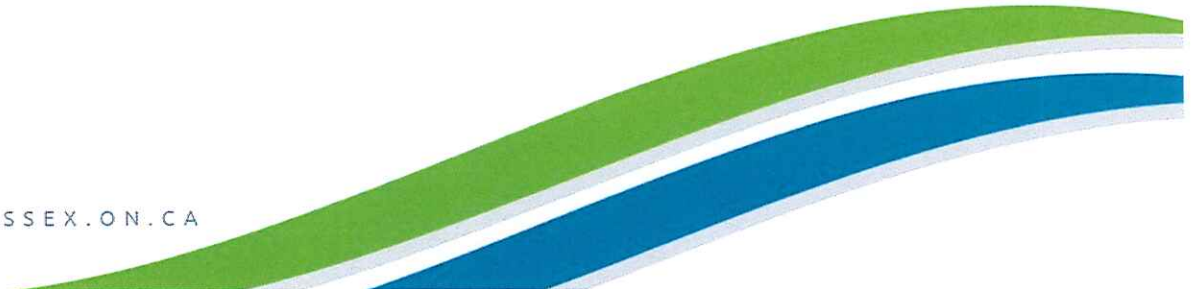
# Local Municipal Government Review

- Staff reports for local municipal Councils consideration were presented as follows:
  - Amherstburg – June 12, 2017
  - Essex – June 5, 2017
  - Kingsville – May 12, 2017
  - Lakeshore – June 13, 2017
  - LaSalle – June 5, 2017
  - Leamington – May 23, 2017
  - Tecumseh – September 12, 2017



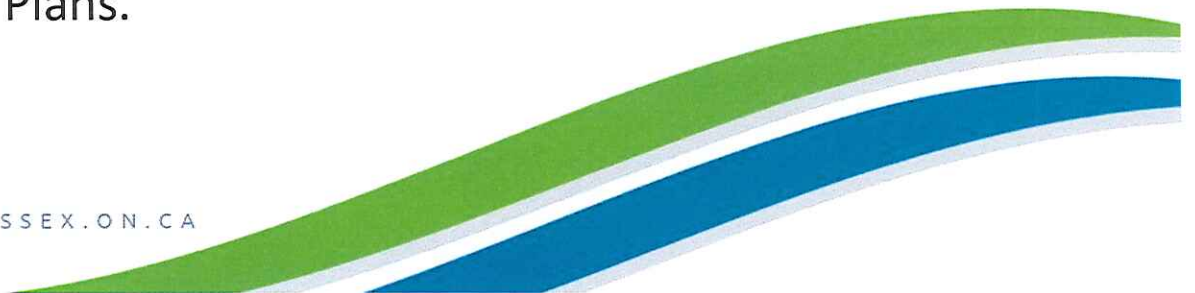
# Council Direction

- All seven local municipal Councils, as well as Essex County Council, directed Administration(s) to seek feedback on proposed changes
- To report back to local Councils and County Council in the Fall, with recommendations, following a review of the feedback received



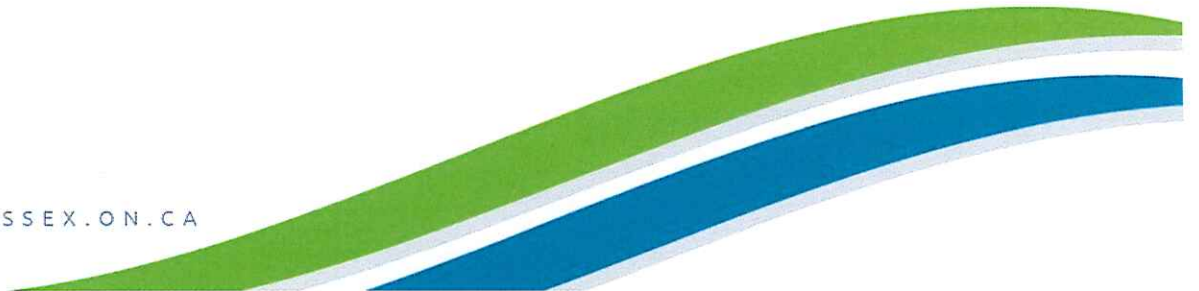
# Current Program Challenges and Considerations

- Vacancy allowance, chronic vacancy and/or reduced income due to vacant space are factors considered and adjusted for, when establishing the individual property assessments for the property, as established by Municipal Property Assessment Corporation (MPAC). When a vacancy rebate is granted, on top of the CVA considerations provided for with the property assessment, this can be viewed as “double-dipping”.
- The 90 day continuous vacancy requirement can discourage landlords from seeking and/or accepting short-term, pop-up and/or seasonal rentals.
- No guarantee that tax savings from the rebate program will be used to increase rental viability – can be counterproductive to other incentive programs which encourage redevelopment and occupancy growth like Community Improvement Plans.



# Current Program Challenges and Considerations (cont'd)

- This is a business benefit that is largely subsidized by the residential class
- This is not a benefit which is afforded to other property classes which may experience a form of vacancy from time-to-time, such as residential or multi-residential properties



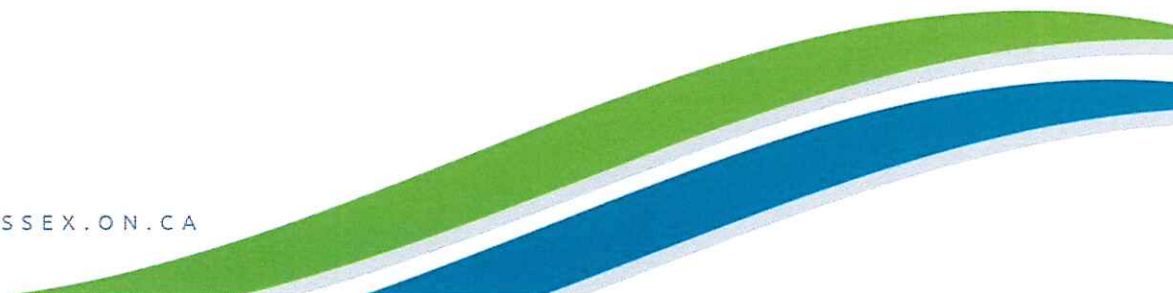
# 2016 Program Statistics

Municipality	Number of Applications Approved in 2016	% of Repeat (multiple year) Applications Received in 2016	Total Program Cost in 2016 (Municipal + County + School Board)
Amherstburg	12	75%	\$54,536
Essex	13	93%	\$24,443
Kingsville	6	83%	\$10,580
Lakeshore	21	80%	\$68,689
LaSalle	14	71%	\$67,732
Leamington	29	83%	\$48,549
Tecumseh	24	79%	\$105,439
<b>Total</b>	<b>129</b>		<b>\$379,968</b>



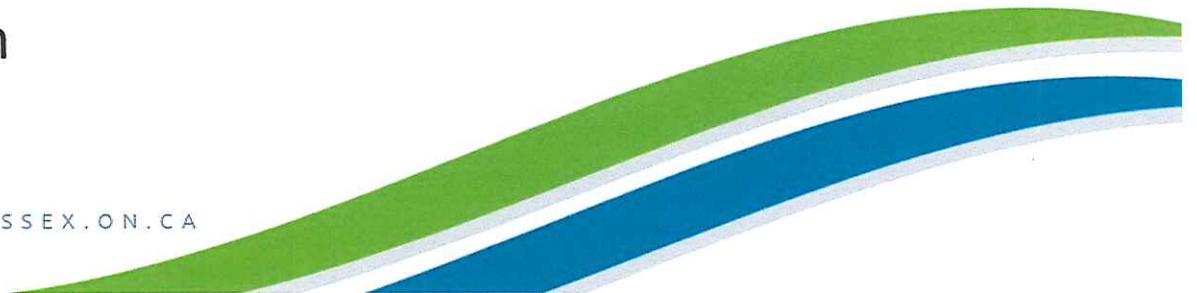
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# Future Program Options

- The County of Essex and our seven local municipalities are considering the options now available to make changes to the Vacant Unit Property Unit Tax Rebate Program
- Options available under the legislation include:
  - Status Quo
  - Phase-out of Program
  - Set new Eligibility Criteria
  - Class Fund Program
  - Impose Fee to Assist with Cost of Administering Program
  - Eliminate Program



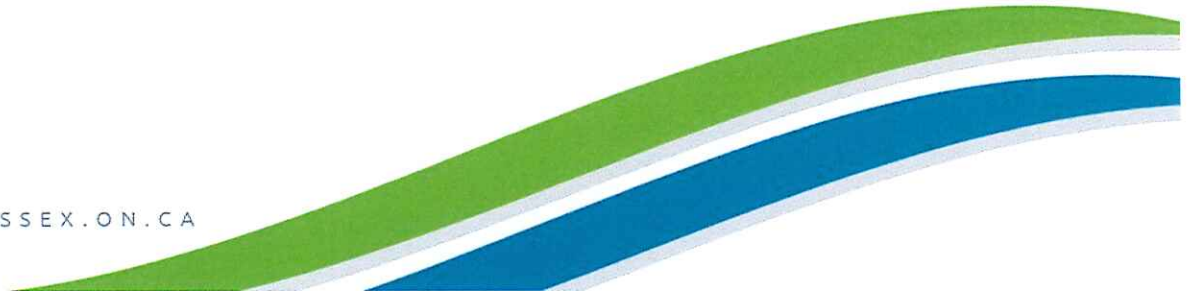
# Status Quo

- No change to existing program
  - Annual applications
    - 30% rebate for eligible vacant space within commercial buildings
    - 35% rebate for eligible vacant space within industrial buildings



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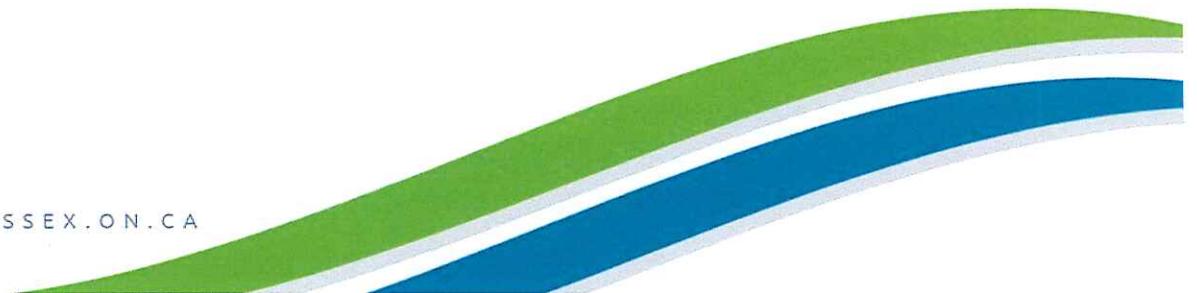
# Phase Out Program (1-3 yrs).

- Program would be phased-out over three years with a declining benefit each year
- Program would not be offered in the fourth year and beyond

Example	Application Year	Tax Year	Rebate Percentage (Comm/Ind)
Year 1	2018	2019	30% / 35%
Year 2	2019	2020	20% / 25%
Year 3	2020	2021	10% / 15%
Year 4	2021	2022	0% (Exit Program)

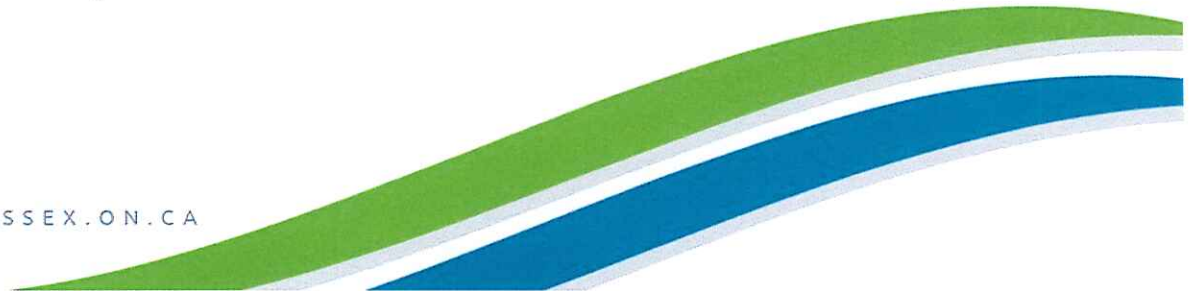
# Eligibility Criteria

- Establish new eligibility criteria, in addition to 90 day vacancy requirement
  - Limit program to one type of building/structure i.e. new office developments



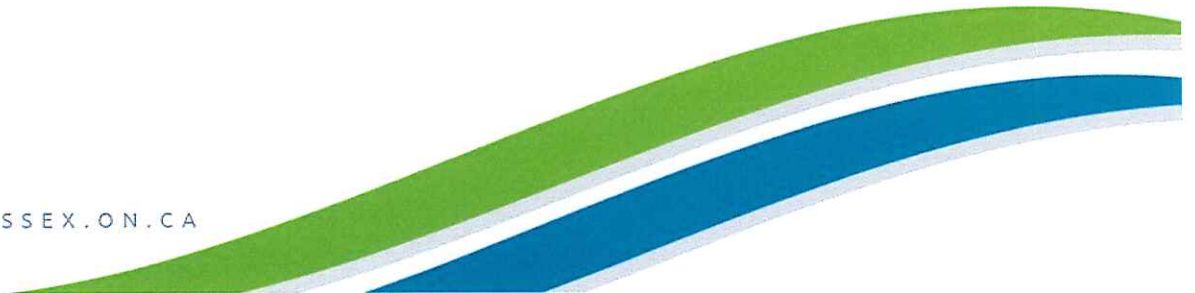
# Class Fund Program

- All costs of the program, as well as the rebates, will be borne by the commercial and industrial classes alone
- Realigning cost of the program so that the residential class and multi-residential classes are no longer burdened
- The funding methodology of this option would need to be developed with both the County and Province



# Impose Administration Fee

- The costs to administer the Vacant Unit Property Tax Rebate program are fairly significant.
- Site inspections may be necessary to validate period of vacancy.
- Fees to recover the cost of Administration of the Applications could be imposed.



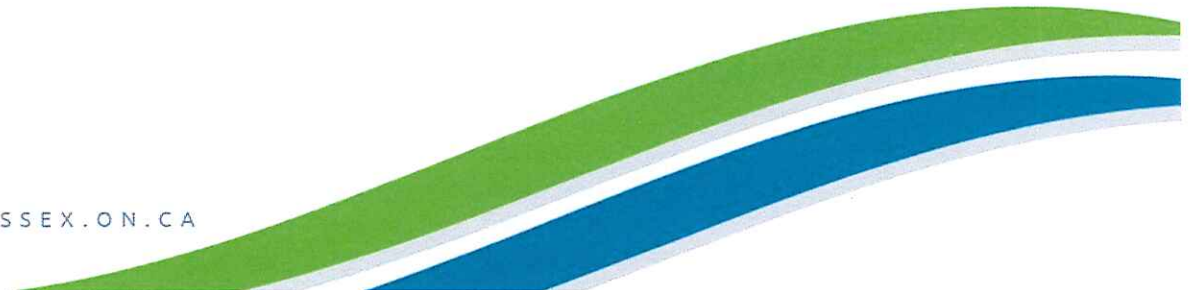
# Elimination of Current Program

- This option would conclude the Vacant Unit Property Tax Rebate Program.
- There would be no program offering for the 2018 application year and beyond.

Application Year	Tax Year	Rebate Available
2017	2018	Yes
2018	2019	No (Exit Program)
2019	2020	No

# Next Steps

- Analysis of all feedback from in-person consultations, online survey and e-mail correspondence (beginning of October 2017)
- Staff will summarize feedback into themes and report back to respective local municipal Councils (by end of October 2017)
- Each local municipal Council will formalize a recommendation that will be forwarded to County Administration to aid in the development of a recommendation expected to be presented to Essex County Council in November 2017
- If Essex County Council approves any changes to the program, a resolution will be sent to the Minister of Finance, indicating that the County of Essex, in consultation and agreement with its local municipalities, wish to either:
  - “modify” or “eliminate” the vacant unit property tax rebate program.



# Thank You

- Thank you for taking the time to provide us with your comments and feedback.
- Representatives from each of the local municipalities are here to also discuss possible changes to the Vacant Unit Property Tax Rebate Program and how that would impact your particular business.

