

FINANCE DEPARTMENT REPORT

REPORT 19/03

TO: The Mayor and Members of Council
FROM: Linda Cheyne, Director of Finance
MEETING DATE: Wednesday, March-20-19
SUBJECT: Changes to the Vacant Unit Tax Rebate Program

RECOMMENDATION:

Be it resolved that the Council of the Township of Guelph/Eramosa has received Finance Department Report 19/03 and

That Council direct staff to proceed with holding a Public Open House on May 6, 2019, to obtain public input on the elimination of the Vacant Unit Tax Rebate Program and Vacant and Excess Land Property Tax Subclass Reductions as outlined in Finance Report 19/03.

BACKGROUND:

In 1998 the Province introduced the requirement for municipalities to have a vacant rebate program to provide relief through a rebate of property taxes to owners of vacant commercial and industrial properties. The Vacant Unit Tax Rebate Program is governed by Sections 364 of the Municipal Act and Ontario Regulation 325/01 and applies to buildings that were entirely vacant or where the building was partially vacant and the portion of the building was unused and clearly delineated or physically separated from the used portions of the building.

This mandatory program was developed when provincial tax reform shifted business taxation from tenants to property owners and was intended to assist property owners in times of economic downturn.

Vacant Unit Rebate Program

The Vacant Unit Rebate provides a tax rebate to property owners who have vacancies in commercial and industrial buildings. This application based program is administered by municipalities and currently provides a 30% rebate of the property tax for vacant commercial space and 35% for vacant industrial space. These rebates are shared proportionally between the Township, County of Wellington and School Boards.

Vacant and Excess Land Property Tax Subclass

Commercial and industrial properties or portions of these properties in the Vacant and Excess Land Property Tax Subclasses are taxed at a fixed percentage rate below the tax rate of the broad class and are discounted at 30% to 35% of the full Commercial and/or Industrial rate.

New Municipal Flexibility for Vacant Unit Rebates and Vacant / Excess Land Property Tax Subclasses.

In November 2016 the Province introduced amendments to the Municipal Act through Ontario Regulation 581/17 allowing municipalities to tailor the vacant rebate and reduction programs to reflect community needs and circumstances, while considering the interests of local businesses.

Options for Consideration

Many other municipalities have chosen to eliminate the Vacancy Unit Tax Rebate Program and in Wellington County the Town of Erin, Town of Minto and Township of Wellington North have incorporated their Vacant Unit Tax Rebate Program as part of their Community Improvement Plan. In 2018 the Township of Puslinch eliminated the Vacant Unit Tax Rebate program effective for the 2018 taxation year and supported the elimination of the Vacant and Excess Land Property Tax Subclass Tax Reductions. The Province has reported that while municipalities that decided to modify their vacancy programs have implemented a variety of changes, 80 per cent of those municipalities will phase out the municipal component by 2020.

In reviewing the future of the vacant rebate and reduction programs and considering how other municipalities have proceeded, outlined below are options for Council's consideration.

1. Continue with the current vacant unit rebate program.
2. Lower the rebate percentage discounts.
3. Completely eliminate the vacant unit rebate program effective for the 2018 taxation year.
4. Phase out the program and eliminate the vacant unit tax rebate program effective for the 2019 taxation year.
5. Continue with the vacant unit tax rebate program and redefine the eligibility criteria and target unique local business areas.
6. Excess and Vacant Land discounts may be set between 0% to 100% including eliminating the discount entirely.

Eliminating the Vacancy Rebate and Excess and Vacant Land Reductions Programs will:

- Have a financial impact on the property owners who receive the rebate and will no longer receive this funding.

- Eliminate the duplication of tax reductions. The Municipal Property Assessment Corporation (MPAC) currently allows for vacancy and obsolescence discounts in their property assessment valuation.
- Eliminate the financial and staff resource requirements to administer the program.
- Eliminate the disparity between residential properties that fund the rebate but are not eligible.
- Eliminate the financial incentive for properties to remain vacant.

The Township of Guelph/Eramosa is in the process of developing a Community Improvement Plan which may provide programs for financial grants to businesses within the business community meeting specific criteria.

Implementation

Municipalities wishing to utilize the flexibility available to them must submit details of proposed changes to the Minister along with a Council resolution by August 1, 2019, to ensure amendments are included in a regulation as soon as possible. It is now the responsibility of the upper-tier (County) to apply to the province to make the changes to the program. Applications received after August 1, 2019, will not be implemented until the 2020 taxation year.

FINANCIAL IMPACT:

Vacant Unit Tax Rebate Program

Over the past five years the Township of Guelph/Eramosa has processed twenty-one vacant rebate applications as outlined in the chart below.

| Taxation Year | # of Applications | Township | County | Education | Total |
|---------------|-------------------|------------|------------|------------|-------------|
| 2018 | 0 | \$.00 | \$.00 | \$.00 | \$.00 |
| 2017 | 1 | \$ 447.77 | \$1,044.82 | \$ 373.15 | \$1,865.74 |
| 2016 | 5 | \$2,092.86 | \$4,883.24 | \$1,744.05 | \$8,720.15 |
| 2015 | 7 | \$3,370.37 | \$8,206.11 | \$3,077.29 | \$14,653.77 |
| 2014 | 3 | \$1,878.57 | \$4,549.53 | \$1,696.08 | \$8,124.18 |
| 2013 | 5 | \$1,852.65 | \$4,703.53 | \$1,843.01 | \$8,399.19 |

Vacant and Excess Land Property Tax Subclass

Eliminating or reducing the tax reductions for the Vacant and Excess Land Property Tax Subclasses would provide additional tax revenue for the Township as well as the County of Wellington. In 2019 it is estimated that there will be tax reductions totaling \$54,073 due to Vacant and Excess Land Property Subclasses in Guelph/Eramosa, (\$15,917 for the Township share and \$38,102 for the County's share).

Respectfully Submitted,

Linda Cheyne, Director of Finance

Reviewed By:

Ian Roger, P. Eng
CAO