



Staff Report

Report To: Dan Best, Chief Administrative Officer
From: **Sandy Becker, Financial Services
Manager/Treasurer**
Date: July 17 2017
Report: FIN.17.16
Subject: Vacancy Rebate and Vacant-Excess Land Subclass
Tax Reductions

Recommendations:

That South Huron Council receives the report from S. Becker, Financial Services Manager/Treasurer re: Vacancy Rebate and Vacant-Excess Land Subclass Tax Reductions for information.

Purpose:

To provide Council with the status of changes to the Vacancy Rebate and Vacant-Excess Land Subclass tax reduction programs and the recommended changes being proposed through the upper tier.

Background and Analysis:

In December 2016, the province amended sections 313 and 364 of the *Municipal Act, 2001* in order to provide municipalities with the option to amend or eliminate subclass tax rate reductions for vacant land and vacancy rebates for vacant portions of commercial or industrial buildings. Municipalities may eliminate, modify or leave unchanged the rebates/reductions, however, any elimination or modification to these programs will require specific regulation by the Minister of Finance.

Currently, the County of Huron has established a 30% reduction in taxes for eligible properties in the vacant and excess commercial and industrial tax classes. The 30% reduction also applies to commercial and industrial

properties that have vacant units for a period of at least 90 consecutive days.

The vacancy rebate and vacant-excess land subclass tax reduction programs are an upper-tier decision. The province is maintaining the regulatory authority whether any change submitted by the upper tier via a resolution will be approved or not for implementation. A critical component of any change is engagement of the local taxpayer community.

The County Treasurer prepared and presented a report to County COW on June 21st recommending that no changes be made for the vacant/excess land subclasses in order not to discourage future commercial and industrial growth, and that a policy be adopted to phase out the current vacancy rebate program over a three year period starting in 2018 with the complete elimination by 2020, subject to the outcome of community consultations. These recommendations will be presented to County Council July 5th for adoption.

If County Council approves the process to review the elimination of the vacancy rebate program, the County and local municipal Treasurers will solicit community feedback by September 30, 2017. Feedback will be solicited via newspapers/websites, letters to the various business associations/chambers, etc. Once public feedback has been received the County Treasurer will summarize the feedback and prepare a report to County council with a by-law (pending the results of the feedback).

Operational Considerations:

The following pros and cons were reviewed and presented with respect to the elimination of the vacant unit rebate;

The pros or advantages for the elimination of the vacancy rebate program are:

- Normal and chronic vacancy are included in the income valuation of commercial properties by MPAC. Obsolescence is included as a factor in the cost valuation of industrial properties by MPAC. Therefore, based on the above, it can be argued that the vacancy rebate program duplicates the valuation adjustments made by MPAC.
- Vacancy rebates offer financial incentives to property owners who may be acquiring buildings for long-term speculation rather than immediate productive use.

- Eliminating the vacancy rebate program may produce an incentive for property owners to more actively pursue productive use of vacant commercial and industrial properties.

The cons or disadvantages against the elimination of the vacancy rebate program are:

- Property owners can argue that the vacancy rebate program offers tax relief in depressed areas of a municipality and provides funds to encourage productive use and occupancy.
- In 1998 the business occupancy tax was added to the property tax and became a liability of the property owner. Prior to 1998, business tenants paid taxes directly to the municipality. As a result of this change, the vacancy rebate program was created to offset any increases in property tax as a result of vacant units, which would not have been subject to business occupancy tax prior to 1998.

South Huron's Strategic Plan:

The recommendation(s) included in this Staff Report support the following goals identified in the 2015-2019 Strategic Plan:

- √ Administrative Efficiency and Fiscal Responsibility
- √ Transparent, Accountable and Collaborative Governance

Financial Impact:

The municipal cost of providing the vacant unit rebate for South Huron over the past 3 years is \$7,811 for 2016, \$5,787 for 2015 and \$3,523 for 2014.

Legal Impact:

There are no legal implications for the Corporation resulting from the proposed recommendation.

Staffing Impact:

There are no staffing implications for the Corporation resulting from the proposed recommendation.

Policies/Legislation:

Municipal Act, 2001

Consultation:

Michael Blumhagen, County Treasurer
Wil Telford, Deputy Treasurer/Tax Collector
Dan Best, Chief Administrative Officer

Related Documents:

N/A

Respectfully submitted,

Sandy Becker, Financial Services Manager/Treasurer