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**Subject:** Vacant Unit Property Tax Rebate Elimination - Update  
**Prepared by:** Dan Elliott, Director of Financial Services - Treasurer  
**Department:** Financial Services  
**Date:** February 13, 2018

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**In accordance with the Procedure By-law, any Member of Council may request that this Information Report be placed on an upcoming General Committee or Council meeting agenda for discussion.**

## **Executive Summary**

This report is to update Council with regards to the actions of the Region of York with respect to the potential elimination of the vacant unit property tax rebate program.

- Current legislation requires every municipality to have a vacant unit tax rebate program.
- Province announced regulatory opportunity for optional elimination of the vacant unit tax rebate
- Decision was to be at the upper tier level
- The Town of Aurora brought this matter forward to the Region of York
- Others weighed in on the discussion
- The Region of York approved the elimination of the program effective for 2018 tax year.
- Province is drafting the necessary regulation to empower the elimination as requested.
- Town website has updated information in rebate application section.

## **Background**

At its meeting of February 28, 2017, Council adopted the following amended motion brought forward by Notice of Motion by Councillor Mrakas:

Moved by Councillor Mrakas, Seconded by Councillor Humfryes

1. Now Therefore Be It Hereby Resolved That the Town of Aurora seek to repeal the vacant unit tax rebate; and
2. Be It Further Resolved That staff be directed to report back to Council after the matter of the vacant unit tax rebate has been addressed by the Region; and
3. Be It Further Resolved That a copy of this resolution be sent to the Honourable Minister of Finance to request the necessary regulatory authority using the flexibility provided in the legislative framework to repeal the vacancy tax rebate; and
4. Be It Further Resolved That a copy of this resolution be sent to the Council of The Regional Municipality of York and all area municipalities to advise of Council's interest in seeking abolishment of the vacant unit rebates provisions.

On a recorded vote the main motion as amended Carried (unanimously with nine votes)

## **Analysis**

### **Current legislation requires every municipality to have a vacant unit tax rebate program**

Generally, most municipalities used the regulatory limits for their rebate programs, being 35% rebate for industrial properties, and 30% rebates for commercial properties. No rebates applied to residential or multi-residential properties. The rebates were in respect of taxes paid attributed to areas of the subject building which had been vacant and unused during the tax year.

Some municipalities expressed concern to the Province that such mandatory programs were expensive, and not achieving or contributing to local development or economic development objectives.

### **Province announced regulatory opportunity for optional elimination of the vacant unit tax rebate program.**

In its 2016 budget announcements, the Province introduced regulatory opportunity for municipalities to eliminate the vacant unit tax rebate program. Many municipalities were interested in doing so.

**The province clarified decision was to be at the upper tier in two tier municipal jurisdictions**

Immediately following the announcement, much interest was expressed by municipalities across the province. The Province clarified its position that in two tier municipal jurisdictions such as the Region of York, the decision to eliminate the program must be made at the upper level, and must be made jurisdiction wide, and such decision must consider public consultation input.

**The Town of Aurora brought this matter forward to the Region of York**

At its meeting of February 28, 2017, the Town of Aurora adopted the above noted resolution and initiated the process to seek elimination of the vacant unit property tax rebate program. We were the first municipality in York Region to take action in this regard.

**Others weighed in**

The Region of York, through the working group of all area treasurers and property tax administrators developed an approach to region wide consultation. Consultation workshops were publicly advertised, including through each local business association. Business owners, commercial landlords, and residents attended the various sessions. Some support was expressed for retaining the program and some support was provided for the elimination of the program. Eight of nine municipalities passed resolutions in support of elimination of the program. One simply received their staff report on the matter.

**The Region approved the elimination of the vacant unit tax rebate program Region-wide**

At its meeting of November 27, 2017, the Region of York adopted the recommendations arising from a staff report which presented the options, analysis, consultation input received and other discussion. A full copy of the Region's report is attached.

**The Province of Ontario is now preparing necessary regulations**

Following the adoption of the Region's resolution to abolish the program, the Province was requested to initiate the process to bring into effect the necessary regulations. At this time the final regulations have not been enacted as required. However, the request made by the Region to the Province was to eliminate the rebates program effective for all of 2018. The Province has confirmed the regulation will be retroactive to January 1, 2018.

**Town's website has updated information**

The Town's website has been updated to include information about the elimination of the program. (see Attachment #2) All applicants for the 2017 rebate must apply by February 28, 2018. All applicants will receive with their rebate clear notice that the program has been eliminated for 2018 forward.

**Advisory Committee Review**

None

**Legal Considerations**

None, the current program complies with the provincial mandated program requirements. Until the applicable regulation is enacted by the Province, the program technically remains in place, although the Province has committed to the Region that the regulation will be approved, and will be retroactive to January 1, 2018.

**Financial Implications**

In recent years, the Town receives 65 to 85 applications for rebates per year. Total rebates paid per year range between \$170,000 and \$385,000 per year, with the Town incurring only its share of those, being between \$35,000 and \$77,000 per year. These amounts are funded from within our Tax Adjustments annual budget line item.

Once the program is abolished, the Town will no longer incur these expenses. They will be removed from future budgets.

**Communications Considerations**

The Town's website already carries appropriate information within the tax rebate section of our tax information page. Once the enabling regulations are enacted, the Financial Services Department will work with our Communications Division to prepare necessary and appropriate communications targeted to businesses and owners of commercial and industrial properties. The Chamber of Commerce has asked Mayor Dawe to bring an update on this issue during his upcoming Chamber Luncheon during February.

## **Link to Strategic Plan**

Keeping Council apprised of changes to the property tax framework furthers the Strategic Plan principles of responsible municipal management and maintaining and supporting public accountability.

## **Alternative(s) to the Recommendation**

None

## **Conclusions**

The Province introduced regulatory flexibility for municipalities to opt out of a mandatory vacant units property tax rebate program for commercial and industrial properties. Last February, the Town expressed its desire to exercise this option, however the option needed to be decided by the Region of York. Consultations took place, and the Region chose to opt out of the mandatory program and to seek the Province to adopt the necessary municipal specific regulation. Staff await final enactment of such regulations. A communication to all affected property owners will be made following the regulation.

## **Attachments**

Attachment #1 Region of York report Elimination of Vacant Unit Rebate Program, dated October 25, 2017, as considered by Committee of the Whole (Region of York) on November 9, 2017, and adopted by Council – Region of York November 16, 2017.

Attachment #2 Copy of current Town website information sheet re rebate program

## **Previous Reports**

None

## **Pre-submission Review**

CAO only, February 8, 2018

**Departmental Approval**



**Dan Elliott, CPA, CA  
Director and Treasurer  
Financial Services**

**Approved for Agenda**



**Doug Nadorozny  
Chief Administrative Officer**

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Clause 11 in Report No. 16 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on November 16, 2017.

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## Elimination of Vacant Unit Rebate Program

Committee of the Whole recommends:

1. Receipt of the communication from Kathryn Moyle, Township Clerk, Township of King, dated October 25, 2017.
2. Adoption of the following recommendations contained in the report dated October 25, 2017 from the Commissioner of Finance:
  1. The Chair advise the Minister of Finance of Council's decision with respect to this matter and request that the appropriate provincial regulation be enacted.
  2. The Regional Municipality of York's vacant unit rebate program be eliminated effective starting with the 2018 taxation year.
  3. The Regional Clerk circulate this report to the local municipalities.

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Report dated October 25, 2017 from the Commissioner of Finance now follows:

### 1. Recommendations

It is recommended that:

1. The Chair advise the Minister of Finance of Council's decision with respect to this matter and request that the appropriate provincial regulation be enacted.
2. The Regional Municipality of York's vacant unit rebate program be eliminated effective starting with the 2018 taxation year.
3. The Regional Clerk circulate this report to the local municipalities.

## Elimination of Vacant Unit Rebate Program

### 2. Purpose

This report seeks Council approval regarding changes to the vacant unit property tax rebate program.

### 3. Background

Vacant unit rebates have existed since 1998

Section 364 of the *Municipal Act, 2001* and Ontario Regulation 325/01 require that all municipalities provide a property tax rebate for eligible vacant units. In York Region, the rebate program is administered by each local municipality.

The vacant unit rebate program provides a 30 percent rebate of taxes for eligible properties in the commercial class and a 35 percent rebate for eligible properties in the industrial class.

The eligibility criteria are as follows:

- the unit (or portion) must be vacant for more than 90 consecutive days, and
- the property is in any of the commercial or industrial classes.

To claim a vacant unit rebate, the property owner must submit an application to its local municipality on or before the last day of February following the taxation year for which the application is being made.

The Region's share of the rebate is reduced from the supplementary tax revenues remitted to it by the local municipalities at the end of each taxation year.

The financial impact of this program is approximately \$5.5 million per year, of which the Region's share is approximately \$1.4 million.

The Province is allowing municipalities greater flexibility with respect to the vacant unit rebate program

In response to municipal and other stakeholder requests, the Province has announced that they are providing municipalities with greater flexibility in administering the vacant unit rebate program. Changes to each municipality's rebate program must be implemented through regulation, which specifies the options that a municipality has chosen.



## Elimination of Vacant Unit Rebate Program

Upper tier municipalities need to work with local municipalities to achieve a consistent policy position

In a two-tier jurisdiction, the upper-tier municipality has the mandate to set property tax policy. Upon achieving a consistent policy position with its local municipalities regarding the vacant unit rebate, Council may decide to modify the program and notify the Minister of its intent to use this flexibility and provide details of any proposed changes.

Prior to submitting their request to the Minister, municipalities are required to complete the tasks listed in Table 1.

**Table 1**  
**Vacant unit rebate program checklist (Issued by the Province)**

Area	Specifics
Business engagement	Engaged with local businesses
	Details on how and when the local business community was engaged
	Consideration of impact on local businesses
	Communicated impacts to local businesses
	Council involvement
Program Details	Details of program changes in submission
	Have changes been discussed with lower-tiers
	Consideration of implementation/administration of potential changes
	Multi-year consideration of changes
	Council approval of these changes

Note: Reproduced from the January 2017 Ontario Ministry of Finance memo on vacant unit rebate and vacant/excess land subclasses

## Elimination of Vacant Unit Rebate Program

Other municipalities in the Greater Toronto Area have already requested the elimination of their vacant unit rebate program

Other municipalities have already requested the elimination of the vacant unit rebate program. Table 2 below shows an inter-jurisdictional scan of Greater Toronto Area municipalities.

**Table 2**  
**2017 Council decisions from from select municipalities**

<b>Municipality</b>	<b>Council decision</b>
<b>City of Toronto</b>	<ul style="list-style-type: none"><li>• For the commercial tax class a reduction in the rebate percentage with elimination effective July 1, 2018</li><li>• For the industrial tax class there will be no change to the rebate percentage of 35 per cent up to June 30, 2018 and elimination thereafter</li></ul>
<b>Region of Peel</b>	<ul style="list-style-type: none"><li>• A phased reduction for both commercial and industrial tax classes over the next three years starting 2017 with elimination in 2020</li></ul>
<b>Durham Region</b>	<ul style="list-style-type: none"><li>• Council report expected in the Winter 2018</li></ul>
<b>Halton Region</b>	<ul style="list-style-type: none"><li>• A phased reduction for both commercial and industrial tax classes starting 2018 with elimination in 2019</li></ul>

Local municipalities in York Region have consulted with the business community through meetings and an online survey

One of the tasks required by the Province prior to submitting a request to the Minister to change the vacant unit program is engagement with the local business community. While consultation is required, municipalities have full discretion regardless of the business community preference.

Local municipalities have hosted four consultation sessions with businesses on this matter (Table 3). Regional staff attended the consultation sessions as an observer. In addition, all municipalities have provided business owners and residents with the opportunity to voice their concerns through an online survey. The online survey was posted on local municipalities' websites and was also made available at the local municipal offices.

**Table 3  
Business Consultation Dates**

<b>Host</b>	<b>Dates</b>
Town of Newmarket	May 30
City of Vaughan	June 22
City of Markham	June 26
Town of Richmond Hill	July 13

Business owners’ major concern was the possibility of the immediate elimination of the vacant unit rebate program. Business owners also asked for clear communication regarding changes to the program, including advance notice of the date of relevant Council meetings.

Residents who responded to the online survey supported the elimination of the vacant unit rebate program.

4. Analysis and Implications

Policy considerations support the elimination of the vacant unit rebate program

The vacant unit rebate program provides relief for property owners in the commercial and industrial classes who are facing reduced revenues as a result of vacant units in their buildings. This program is not available to property owners in the residential class. The cost of this relief is borne by other taxpayers, primarily those in the residential class. Table 4 summarizes the policy issues related to this program.

**Table 4  
Policy considerations supporting the elimination of the vacant unit rebate program**

<b>Issue</b>	<b>Detail</b>
“Double dipping” problem	In determining the assessed values for commercial and industrial properties, the Municipal Property Assessment Corporation uses an income method and a cost method. Both methods incorporate a discount for vacant properties  As a result, business owners also receiving a vacant unit rebate may be considered to be ‘double dipping’.

Elimination of Vacant Unit Rebate Program

Issue	Detail
Encourages owners to leave space vacant	<p>Applicants are required to demonstrate that the unit has been vacant for 90 consecutive days.</p> <p>This discourages short-term rental of vacant units.</p>
Subsidized by the general tax base	<p>Vacancy rebates are funded by other taxpayers, primarily from the residential assessment base.</p> <p>Residents are not offered a similar rebate program.</p>
Newly constructed commercial and industrial properties already benefit from lower property taxes	<p>Newly constructed developments could receive an unfinished or unoccupied allowance that is reviewed periodically by the Municipal Property Assessment Corporation.</p> <p>The allowance translates to lower property taxes until the property is assessed as fully taxable.</p>

In addition, the vacant unit rebate program requires significant administrative resources that must be redeployed from more value-added activities by local municipal staff.

Local municipalities in York Region provide approximately 1,000 vacant unit rebates each year

From 2011 to 2015, local municipal staff issued approximately 1,000 vacant unit rebates per year (see Table 5). This is 4.7 per cent of the approximately 22,300 commercial and industrial businesses that were operating in York Region during this period.

The total rebate averaged approximately \$5.5 million annually. Almost 80 per cent of the applications and rebates were from the southern three municipalities.

**Table 5**  
**Average number of vacant unit rebate applications**

<b>Municipality</b>	<b>Number of applications (5 year average)</b>
Aurora	80
East Gwillimbury	7
Georgina	24
King	8
Markham	325
Newmarket	76
Richmond Hill*	165
Vaughan	339
Whitchurch-Stouffville**	18
<b>York Region</b>	<b>1,042</b>

\*Five year average is from 2012 to 2016 as provided by Richmond Hill staff

\*\*Only four-year average from 2012-2015 as provided by Whitchurch-Stouffville staff

Local municipalities are in favor of eliminating the program

Most of the local municipalities in York Region have received council approval to eliminate the program effective as of the 2018 taxation year. Under this option, businesses will be able to apply for the vacant unit rebates for the 2017 taxation year up to the last working day in February 2018. No applications for tax years 2018 and beyond will be accepted.

Table 6 summarizes the local municipal decisions at the time of authoring this report.

**Table 6**  
**Local municipal decisions regarding vacant unit rebate program**

Municipality	Decision
Aurora	Council voted on February 28 2017 to eliminate
East Gwillimbury	Council received information; May 2
Georgina	Council voted on November 1 to eliminate
King	Council voted on October 16 to eliminate
Markham	Council voted on November 1 to eliminate*
Newmarket	Council voted on October 23 to eliminate
Richmond Hill	Council voted on October 23 to eliminate
Vaughan	Council voted on October 24 to eliminate
Whitchurch-Stouffville	Council voted on May 16 2017 to eliminate

\*Note: City of Markham Council also endorsed a Targeted Vacant Unit Rebate Program for new Commercial / Industrial Developments that have a floor space in excess of 100,000 square feet, for a four (4) year period, effective January 1st 2018.

## 5. Financial Considerations

From 2011 to 2015, \$27.4 million in total property taxes were rebated through the vacant unit rebate program

According to data collected from local municipalities, the average cost for the program is approximately \$5.5 million per year and the Region's share is 26 per cent, an average of \$1.4 million (see Table 7).

## Elimination of Vacant Unit Rebate Program

**Table 7**  
**Cost of vacant unit rebate by local municipality (2011-2015)**

<b>Municipality</b>	<b>Regional (\$)</b>	<b>Local (\$)</b>	<b>Education (\$)</b>	<b>Total (\$)</b>
Aurora	288,340	235,574	647,069	1,170,983
East Gwillimbury	74,765	59,045	159,105	292,915
Georgina	62,902	83,117	142,654	288,673
King	8,757	6,821	19,777	35,355
Newmarket	608,975	560,718	1,361,770	2,531,463
Markham	2,131,220	1,082,163	4,801,757	8,015,140
Richmond Hill*	1,110,242	621,019	2,470,935	4,202,196
Vaughan	2,754,518	1,544,834	6,185,835	10,485,187
Whitchurch-Stouffville**	94,100	62,632	211,620	368,352
<b>Total</b>	<b>7,133,819</b>	<b>4,255,923</b>	<b>16,000,522</b>	<b>27,390,264</b>

\*Amounts are for the 2012-2016 period

\*\*Amounts are for the 2012-2015 period

### 6. Local Municipal Impact

The elimination of the vacant unit rebate program will result in budgetary savings for local municipalities

Local municipalities budget for vacant unit rebates as part of their annual budget process. The elimination of the vacant unit rebate program starting in 2018 would lead to budgetary savings for local municipalities.

### 7. Conclusion

It is recommended that Council eliminate the vacant unit rebate program effective as of the 2018 taxation year.

There is strong policy rationale for eliminating the vacant unit rebate program. The elimination of the program is supported by local municipal councils and is also consistent with council decisions from neighbouring municipalities.

Local municipalities will continue to offer the vacant unit rebate program for all commercial and industrial properties in the 2017 taxation year.

## Elimination of Vacant Unit Rebate Program

For more information on this report, please contact Edward Hankins, Director, Treasury Office, at 1-877-464-9675 ext. 71644.

The Senior Management Group has reviewed this report.

October 25, 2017

Edocs#: 7963856

Accessible formats or communication supports are available upon request





King Township  
2075 King Road  
King City, Ontario  
Canada L7B 1A1

Phone: 905.833.5321  
Fax: 905.833.2300  
Website: www.king.ca

October 25, 2017

Chris Raynor, Regional Clerk  
Regional Municipality of York  
17250 Yonge Street  
NEWMARKET ON L3Y 6Z1

Sent via e-mail

Dear Mr. Raynor,

**RE: Township of King  
Finance Department Report No.: FR-2017-12  
Property Tax Rebate Program – Vacant Commercial and Industrial Units**

At its meeting of October 16, 2017, Council received Finance Department Report Number FR-2017-12 regarding providing direction to the Regional Municipality of York as to the Township of King's response to exercising the option to eliminate the current vacant unit rebate program for commercial and industrial properties and approved the following recommendations, as follows:

- a) That Finance Report FR-2017-12 be received; and
- b) That Council endorse the phased elimination of the Property Tax Rebate Program for vacant commercial and industrial units effective for the property taxation year 2018; and
- c) That the Regional Municipality of York accepts this endorsement and proceeds to advise the Province of Ontario accordingly.

Yours truly,

A handwritten signature in blue ink that reads "Kathryn Moyle".

Kathryn Moyle  
Director of Clerks/By-law Enforcement  
Township Clerk

c.c. Allan Evelyn, Director of Finance & Treasurer



100 John West Way,  
Box 1000,  
Aurora ON L4G 6J1  
Phone: 905-727-1375  
Fax: 905-727-1953

TOWN OF AURORA

Attachment #2

Rebate of Property Taxes for Vacancies in  
Commercial and Industrial Buildings

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Attention:

In 2016, the Province of Ontario, in consultation with municipal and business stakeholders undertook a review of the vacant unit property tax rebate program. As a result of the review municipalities were provided with broad flexibility related to this program.

Following community engagements and on-line surveys in 2017, all the local municipalities in York Region, as well as the Region of York have passed resolutions to eliminate the program starting with the 2018 tax year.

It is anticipated the formal regulation from the Province will be enacted during 2018, however we are taking this opportunity to provide you with early notice that we will not be providing any tax relief under this program for the 2018 tax year and beyond.

The deadline for your 2017 vacant unit property tax rebate form is February 28, 2018.

General Information: To be eligible for a vacancy rebate for 2017, please complete the attached application entitled "Application for rebate of property taxes for vacancies in commercial and industrial buildings."

**Please provide the Town with the following documentation:**

- Photo of Vacant Property or Vacant Unit
- Copy of Brokerage Listing for the subject Vacant Property or Vacant Unit(s)
- Copy of the Lease Information
- Name, forwarding address and telephone number of vacated tenant
- Any information which may validate the vacancy period

Additional information may be required to validate and process this application.