

**SUBJECT:** Vacant Unit Property Tax Rebate Consultation Report

**PREPARED BY:** Shane Manson, Senior Manager, Revenues & Property Taxation,  
Ext. 7514

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**RECOMMENDATIONS:**

- 1) THAT the report entitled Vacant Unit Property Tax Rebate Consultation Report be received; and,
- 2) THAT Council receive the information on the comprehensive consultation process that was undertaken with the local business community to review the vacancy rebate program; and,
- 3) THAT Council endorse the elimination of the Vacant Unit Property Tax Rebate program effective for tax year 2018; and,
- 4) THAT Council endorse a Targeted Vacant Unit Property Tax Rebate Program that is only for “New Commercial / Industrial Development” for a four (4) year period, effective January 1<sup>st</sup> 2018; and,
- 5) THAT staff be authorized to send a copy of this resolution to the Region of York; and,
- 6) THAT staff be authorized and directed to do all things necessary to give effect to these resolutions.

**PURPOSE:**

The purpose of this report is to:

1. To inform Council on the outcome of the comprehensive consultation process that was undertaken with the local business community; and,
2. To recommend Council endorse the elimination of the Vacant Unit Property Tax Rebate program effective for tax year 2018 (*Applications received for the period of January 1, 2017 to December 31, 2017 will be processed, no program offering for 2018 applications and beyond*); and,
3. To recommend Council endorse implementing a Targeted Vacant Unit Property Tax Rebate Program that is only for “New Commercial/Industrial Development” for a four (4) year period, effective January 1<sup>st</sup> 2018; and,
4. To provide Council with information on changes to the Vacant Unit Property Tax Rebate Program in other municipalities.

**BACKGROUND:**

On February 21<sup>st</sup>, 2017, staff presented General Committee with the Vacant Unit Property Tax Rebate Program staff report, which provided an overview of the current Vacant Unit Property Tax Rebate program and the options which are now being offered by the Province.

Council directed staff to undertake public stakeholder consultation, to request feedback from stakeholders on the current Vacant Unit Property Tax Rebate program and requested that staff report back with the results of the consultation and on a final recommendation to the Regional Municipality of York.

**OPTIONS/ DISCUSSION:**

York Regional municipalities' agreed to undertake the Public Consultation process by dividing the municipalities between the northern six (N6) (Town of Newmarket, Town of Aurora, Town of Georgina, Town of Whitchurch-Stouffville, Town of East Gwillimbury, Township of King) and the southern three (S3) (City of Markham, City of Vaughan, and the Town of Richmond Hill).

The N6 municipalities held a consolidated Public Information Centre (PIC) on May 30<sup>th</sup> at the Town of Newmarket Municipal Offices; whereby staff made a presentation to business owners. In addition, an online survey was available to the N6 residents to provide their feedback.

Staff from the S3 municipalities planned a Public Consultation to solicit feedback from stakeholders on the Vacant Unit Property Tax Rebate program. The S3 municipalities agreed on an approach that would enable the public to provide input in the following ways;

1. Attending one of three (3) scheduled In-person meetings; and/or
2. Completing an Online survey.

**Public Consultation:** Advertisement Tactics

To ensure the public was appropriately informed of both the in-person meetings and online survey, the following communications and marketing strategies were developed and implemented.

- City Page Ads in Markham Economist & Sun and Thornhill Liberal - July 6, 13, 20
- Local Newspapers Ads
  - Richmond Hill Liberal - June 8 & 15
  - Vaughan Citizen - June 8 & 15
  - Thornhill Liberal - June 8 & 15
  - Markham Economist & Sun - June 8 & 15
  - Ming Pao - June 11 & 18 ; and
  - Weekly Voice - June 9 & 16
- Multiple Social Media Ads/Posts
- Website News Page: Vaughan.ca, Markham.ca and Richmond Hill.ca
- Notification by letter was sent to the following:
  - Vacancy Rebate applicants for the last two years
  - Chamber of Commerce / Board of Trade

- Richmond Hill & Markham Chinese Business Association
- Unionville Business Improvement Area (UBIA) and Markham Village Business Improvement Area (MVBIA)
- Markham Ratepayer Groups (54)

**1. In-Person Meeting Dates:**

- a) June 22 (7 to 9 p.m.) Vaughan City Hall
- b) June 26 (7 to 9 p.m.) Markham Civic Centre (streamed online in audio/video)
- c) July 13 (7 to 9 p.m.) Richmond Hill - Rouge Woods Community Centre

**Meeting Format**

Staff provided a presentation to the public with the following information;

- Explanation of the current Vacant Unit Property Tax Rebate Program,
- Overview of the New Provincial Amendments,
- Current program challenges and financial impact,
- Possible future options for the program;
  - Status Quo Program
  - Phase-out Program (1 - 3 years)
  - Targeted Program “New Office Development” (3 - 5 years)
  - Property Class Funded Program
  - Eliminate Program

**In-person Meeting(s) Results**

The S3 in-person meetings were attended by business owners, property tax consultants, a member of Council, as well as members of the public. The feedback received at the public meetings showed support for changes to the current Vacant Unit Property Tax Rebate Program in some form, although there was members of the business community that indicated their preference of maintaining the current Rebate Program.

**2. Online Survey**

- To solicit additional feedback from the public, an online survey was made available on the S3 municipal websites between June 5<sup>th</sup> and July 31<sup>st</sup>, 2017.
- Similar to the In-person meetings, members of the public were able to articulate and share their opinions of the existing program and possible future options for the program, which included;
  - Status Quo Program
  - Phase-out Program (1 - 3 years)
  - Targeted Program “New Office Development” (3 - 5 years)
  - Property Class Funded Program
  - Eliminate Program

**Online Survey Results**

A total of 58 individuals completed the six main questions included in the survey, of which 39 or (67%) of the responses were provided by individuals who reside or conduct business in the City of Markham. Summarized results of the online survey are included in Appendix A of this report.

**Public Consultation Results Summary:** (In-person meetings and Online Survey)

The results of the public consultation indicate that residential property owners prefer to see the vacant unit program eliminated, whereas feedback from business owners favored retaining the program to assist in offsetting property tax amounts. Forty-three per cent (43%) of the online survey respondents indicated they were in favour of eliminating or phasing-out the program.

### **Staff Recommendation**

Finance staff is recommending that Council endorse the following two (2) recommendations;

- 1) Elimination of the current Vacant Unit Rebate Program effective for the 2018 tax year. *(Applications received for the period of January 1, 2017 to December 31, 2017 will be processed, no program offering for 2018 applications and beyond)*

#### **Recommendation Rational**

- The current Vacant Unit Rebate Program is funded primarily by the residential class, particularly in municipalities like the City of Markham where the residential class represents 85.43% of the overall taxable assessment base.
- This is a benefit or form of relief that is only afforded to business properties, and not offered to other classes of property such as residential or multi-residential.
- When the Municipal Property Assessment Corporation (MPAC) prepares property assessments for business properties; vacant space and/or reduced income are factors considered and adjusted for when establishing the current value assessment (CVA) for these properties. When a vacancy rebate is granted, on top of the CVA considerations provided for by MPAC, this can be viewed as “double-dipping”.
- Although difficult to demonstrate, there is a belief that the program actually goes so far as to discourage the leasing of some vacant properties. The Provincial requirement requires a minimum period of 90 days continuous vacancy. This discourages some landlords from seeking and/or accepting short-term and/or seasonal rentals, as the property owner would lose eligibility for the rebate, as they would not meet provincial requirement of 90 days continuous vacancy.

- 2) Implement a Targeted Vacant Unit Rebate Program for new Commercial / Industrial Developments that have a floor space in excess of 100,000 sq. ft., for a four (4) year period, effective January 1<sup>st</sup> 2018

- Although the consultation process included an option for “New Office Development”, staff are now recommending that a Targeted Vacant Unit Rebate Program be made available to all new commercial / industrial developments that have a total floor area in excess of 100,000 sq. ft. for a four (4) year period.

#### **Recommendation Rationale**

- Currently, there are over 10,000 commercial/industrial properties in the City of Markham, of which 124 or approximately one per cent (1%) have floor area in excess of 100,000 sq. ft. A typical large office building in Markham would have a floor area of approximately 25,000 sq. ft. per floor.
- An example of this would be the WorleyParsons office building (formerly Motorola), which is an eight (8) floor office building with a total floor area of 212,000 sq. ft.

- The Targeted Vacant Unit Rebate Program for new Commercial / Industrial Developments would provide large scaled developments (similar to the example above) the option of applying for a vacant unit rebate for any unoccupied/untenanted space for a four (4) year period, while the property ramps-up to 100% occupancy.
- Newly constructed business properties already experience the benefit resulting from vacant and/or untenanted space, as MPAC applies significant valuation adjustments to the CVA until the facility and/or space is occupied for the first time. However, staff believe maintaining a Targeted Vacant Unit Rebate Program for new commercial / industrial developments could support a major employer's decision to invest and locate in Markham, and further promote the economic growth of the overall Regional business community. Major business employers that invest and locate to Markham support employment throughout the Region as a whole.
- The cost of providing this program is estimated at one (1) new commercial / industrial development per year. The cost estimates are calculated assuming an eight (8) floor office building is constructed and is only half occupied in year one (1) and fully occupied by the end of the fourth (4<sup>th</sup>) year. This will result in a total annual program cost of approximately \$217,000, with the City share being \$29,500.

#### Program changes in other Municipalities

- The City of Toronto is phasing-out and eliminating the effective July 1, 2018.  
*(Applications received for the period of January 1, 2018 to June 30, 2018 will be processed, no program offering for July 1, 2018 applications and beyond)*
- The City of Ottawa is phasing-out and eliminating the program by 2018.  
*(Applications received for the period of January 1, 2017 to December 31, 2017 will be processed, no program offering for 2018 applications and beyond)*
- The Region of Peel (Brampton, Mississauga and Caledon) is phasing out the Vacant Unit Rebate Program by 2020.  
*(Applications received for the period of January 1, 2019 to December 31, 2019 will be processed, no program offering for 2020 applications and beyond)*
- The Region of Halton (Oakville, Burlington, Milton and Halton Hills) is phasing out the Vacant Unit Rebate Program by 2019.  
*(Applications received for the period of January 1, 2018 to December 31, 2018 will be processed, no program offering for 2019 applications and beyond)*
- The Region of York
  - Council for the Town of Aurora and the Town of Whitchurch-Stouffville have passed resolutions to eliminate the program.
  - Council for the City Vaughan, the Town of Richmond Hill, the Town of Newmarket, the Township of King, the Town of East Gwillimbury and the Town of Georgina will be presented with staff reports in October/November recommending the elimination of the Vacant Unit Rebate Program effective 2018.

**FINANCIAL CONSIDERATIONS:**

A five (5) year average total amount of \$1,603,000 representing the City, Region and Education portion of the taxes are issued in Vacant Unit Property Tax Rebates each year to property owners who had vacancies in Markham from 2011 to 2016. Of this total, the City share of the rebate program is \$216,000. The 2017 budget amount for the Vacant Unit Property Tax Rebate Program is \$223,500.

Implementing a Targeted Vacant Unit Property Tax Rebate Program for “New Commercial/Industrial Developments” that have a floor space in excess of 100,000 sq. ft., for a four (4) year period, would result in a total a program cost of approximately \$217,000, with the City share being \$29,500.

Council endorsement of both staff recommendations included within this report would result in a reduction of \$194,000 to Markham’s 2018 base budget.

Staff will report back to Council on an annual basis to provide an update on the Targeted Vacant Unit Property Tax Rebate Program for “New Commercial/Industrial Development”, which will include the actual cost and take-up.

**HUMAN RESOURCES CONSIDERATIONS:**

Not Applicable.

**ALIGNMENT WITH STRATEGIC PRIORITIES:**

This project is in line with the City’s strategic priority of delivering municipal services in the most effective and efficient manner as outlined in Building Markham’s Future Together.

**BUSINESS UNITS CONSULTED AND AFFECTED:**

Not Applicable.

**RECOMMENDED BY:**

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Joel Lustig  
Treasurer



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Trinela Cane  
Commissioner, Corporate Services

**ATTACHMENTS:**

Appendix A – Online Survey Results

## APPENDIX A – ONLINE SURVEY RESULTS

### Summary Survey Results:

1. Are you familiar with the Vacant Unit Property Tax Rebate Program?"
  - a. **45% - aware of the program through the media, word of mouth, online**
  - b. 33% - current or past applicant of the program
  - c. 17% - not aware of the program
  - d. 5% - potential applicant of the program
2. Please indicate which stakeholder group you represent
  - a. **59% - residential property owner**
  - b. 24% - commercial property owner or tenant
  - c. 9% - other
  - d. 5% - industrial property owner or tenant
  - e. 3% - retail property owner or tenant
3. Please identify which municipality you conduct your business or reside?
  - a. **67% - City of Markham**
  - b. 14% - City of Vaughan
  - c. 10% - multiple
  - d. 9% - Town of Richmond Hill
4. In the last five years, how many times have you applied for a Vacant Unit Property Tax Rebate?
  - a. **64% - never applied**
  - b. 24% - less than five times
  - c. 9% - more than five time
  - d. 3% - unsure
5. The Province of Ontario is now providing municipalities with broad flexibility to tailor the vacant rebate program to reflect community needs and circumstances. How do you think we should proceed with the rebate program?
  - a. **34% - eliminate program within the next 12 months**
  - b. 33% - keep the program
  - c. 12% chose other
  - d. 9% - phase-out the program - (1 - 3 years)
  - e. 7% - class funded program (commercial / industrial classes fund program)
  - f. 5% - targeted program (for new office development)
6. What impact will the elimination of Vacant Unit Property Tax Rebate Program have on your business?
  - a. **54% - change will have no impact**
  - b. 10% - change will have minimal impact
  - c. 36% - change will have significant impact
7. General feedback and comments were also requested from the public through the online survey. The main points of the feedback have been summarized below.
  - a. **Too many vacant properties in the City, and the program only encourages this.**
  - b. The impact of this program is unfair and onerous on residential home owners.
  - c. Significant opposition to the program from the residential property owners; whom feel taxes are already too high.
  - d. The importance to the business community as a whole; and the difficulty in leasing, the economy and unavoidable vacancies at times.
  - e. Some felt that changes to the program may avoid vacancies in future.