

To:	Warden Hicks and Members of Grey County Council
Committee Date:	March 25, 2021
Subject / Report No:	FR-CW-10-21
Title:	Vacant Unit Rebate Program
Prepared by:	Kevin Wepler, Director of Corporate Services
Reviewed by:	Kim Wingrove, CAO
Lower Tier(s) Affected:	All
Status:	Adopted as presented by Committee through Resolution CW65-21; Endorsed by County Council CC34-21

Recommendation

1. That Council receives Report FR-CW-10-21 regarding the Vacant Unit Rebate Program; and
2. That County Council supports the elimination of the Vacant Unit Rebate Program, and recommend that all local municipalities in the County of Grey pursue the elimination of the vacant unit rebate by passing a local municipal by-law; and
3. That staff circulate Report FR-CW-10-21 to local municipal councils for their information.

Executive Summary

Since 2001, the provincial Vacant Unit Rebate program has provided eligible commercial properties the ability to apply for a 30% rebate of the property taxes attributable to vacant space, with eligible industrial properties receiving a 35% rebate.

While the program was originally implemented as a short-term aid to property owners in difficult economic times, in some cases the rebate has been used over many years.

Changes to Section 364 of the Municipal Act (2001), enacted December 2020 provide the ability for local municipalities to pass a bylaw eliminating the rebate or changing the rules to better serve local needs.

Background and Discussion

In 2001 the Province introduced an application-based rebate program for vacant units. The program is prescribed by the Province in Section 364 of the Municipal Act which states “Every local municipality shall have a program to provide tax rebates to owners of property that have vacant portions if that property is in any of the commercial or industrial classes.”

Currently, owners of commercial properties may apply for a 30% rebate of the property taxes attributable to vacant space, with industrial properties receiving a 35% rebate. In order to qualify for a rebate there are a number of eligibility requirements that must be met, including:

- the area(s) must be vacant for a minimum of 90 consecutive days;
- the area(s) must be physically separated from the used portions of the building;
- the business must not be seasonal in nature; and
- the area(s) must be capable of being leased for immediate occupation or undergoing renovations.

A summary of the 2019 Vacancy Rebate Program and the financial impact in Grey County of the vacant unit program in commercial/industrial buildings is set out in the following table:

Year	Education	Local	County	Total Tax Adjustment
2019	\$83,369	\$123,391	\$35,416	\$242,176

Source: Financial Information Returns

The vacant unit rebate program has become increasingly problematic for a number of reasons including:

- Properties remaining eligible for rebate program for years at a time or indefinitely;
- Properties that have received rebates after securing assessment reductions;
- The application and enforcement of eligibility criteria are difficult to administer due to loosely defined rules and limited compliance provisions.

Beginning in 2017, the Province reviewed the vacant unit rebate and vacant/excess land tax reduction programs. The review was initiated in response to municipal concerns regarding the appropriateness of the lower tax level provided through these programs and any unintended implications this may have for local economies.

As a result of this review, local municipalities were provided with flexibility to tailor the vacancy rebate and reduction programs and how these programs function locally. However, any changes were to be coordinated with the upper tier.

Program Options

There were a number of options related to the Vacant Unit rebates that could be considered:

- Continue program for Commercial and/or Industrial Class
- Pursue Immediate Opt-Out
- Pursue a Universal Staged Phase-Out over Time
- Implement a Declining Benefit Program on a Property By Property Basis
- Alter Rebate Percentages
- Exclude Specific Property Types
- Eliminate Partial Building / Unit Rebates

The majority of municipalities in Ontario that pursued changes, made the decision to abandon rather than reform the rebate program.

Not only are municipalities making changes to this program; but the Province has made the decision to eliminate the vacant unit rebate program. For 2019 the percentage used for rebates and sub-class discounts were reduced by 50% for education purposes and will cease as of 2020.

Based on discussions with the Local Treasurers Group in the fall of 2019, it was recommended that the County of Grey coordinate the move towards the elimination of the Vacancy Rebate Program as it is believed that the program no longer served the purpose for which it was created. This would have resulted in County staff proceeding to seek comments from the business community and interested parties with respect to a proposed change to the vacant rebate program. The vacant unit rebate program currently benefits the Commercial and Industrial property tax classes at the same rate as the sub-class discounts – 30% for Commercial and 35% for Industrial property tax classes respectively. The proposed policy change would have effectively eliminated the vacant unit rebate program in 2021.

County staff had planned to recommend to County in 2020, as part of annual tax policy decisions, to recommend to County Council to acquire the assistance of Municipal Tax Equity to engage and consult with stakeholders and interested parties in order to gain feedback and input. This would have included an on-line information campaign and survey. Once the information campaign and survey has been concluded, a future report would have been provided to Council with a final recommendation on this matter, accompanied by any supporting materials required to make a formal submission to the Minister of Finance, if such submission was endorsed by County Council.

With the Covid-19 pandemic staff did not proceed with this recommendation as this did not seem to be the appropriate time to consult with stakeholders on phasing-out the rebate program.

Province of Ontario, 2020 Budget Measures Act (Bill 229)

As part of the 2020 Budget Measures Act (Bill 229), the Province of Ontario introduced a number of new flexibilities to local municipalities in regard to maintaining and managing the Vacant Unit Rebate Program under Section 364 of the Municipal Act, 2001. These amendments came into force when Bill 229 received Royal Assent on December 8th, 2020.

Under these new rules, local area municipalities, independent of the upper tier, may choose to eliminate the vacant unit rebate program, maintain a program under default rules, or may establish a program with enhanced rules that serve to meet the local municipalities own local policy priorities or preferences.

The Budget amendments allow local municipalities to make changes, tweak, or opt-out of having a program to provide rebates to owners of property that has vacant portions, if the local municipality passes a by-law.

Clarification over Upper-Tier versus Local Authority

The Municipal Act has always stated that all local municipalities are required to maintain a Vacant Unit Rebate program. There is some confusion as to authority over these decisions due to the fact that from 2017 through 2020, the Province was encouraging requests for special regulations to be coordinated at the upper-tier level.

Legal and Legislated Requirements

Section 364 (1) of the Municipal Act, 2001 states that every local municipality shall have a program to provide tax rebates to owners of property that has vacant portions if that property is in any of the commercial classes or industrial classes.

Amendments made to Section 364 of the Act with respect to the vacant unit rebate state that a local municipality is not required to have a program to provide tax rebates to owners of property that has vacant portions if the local municipality passes a by-law providing that section 364(1) of the Act does not apply in the municipality (see section 364(1.1)).

Financial and Resource Implications

No financial impacts will result from adopting the recommendations contained in this report beyond what has been budgeted in the 2021 budget. If the elimination of the vacant unit program is supported by local municipalities, this would eliminate the application of any 2021 taxation rebates in the 2022 budget year.

Based on vacant unit rebates reported in the 2019 Financial Information Returns, the County cost of the vacant unit rebate program was \$35,416.

County staff in consultation with Local Municipal Finance staff are in support of the elimination of the vacant unit rebate program and recommend that all local municipalities in the County of Grey pursue the elimination of the vacant unit rebate via a local municipal by-law.

Relevant Consultation

- ☐ Internal (list)
- ☒ External (list) Local Treasurers Group and Municipal Tax Equity

Appendices and Attachments

[Township of Southgate Resolution No. 2021-076 - Vacancy Tax Rebate Support Resolution](#)