

8. TAX REBATE FOR VACANT COMMERCIAL PROPERTIES

**REMBOURSEMENT DE TAXES POUR PROPRIÉTÉS COMMERCIALES
VACANTES**

COMMITTEE RECOMMENDATIONS

Whereas the Province has dictated that vacant commercial properties may apply for and receive a tax rebate if the property is vacant; and

Whereas this subsidy is directly from municipal revenues; and

Whereas some properties are allowed to become derelict or create property standards issues;

Therefore be it resolved that Council, to encourage activity with respect to these properties, petition the Province to limit access to this rebate to a three (3) year period.

RECOMMANDATIONS DU COMITÉ

Attendu que la Province a décrété que les propriétaires commerciales vacantes peuvent présenter une demande pour obtenir un remboursement de taxes; et

Attendu que cette subvention est tirée directement des recettes municipales; et

Attendu que certaines propriétés sont susceptibles d'être laissées à l'abandon ou de déroger aux normes de biens-fonds; et

Par conséquent, afin d'encourager la tenue d'activités sur ces propriétés, il est résolu que le Conseil adresse à la Province une requête pour limiter l'accès à ce remboursement à une durée de trois (3) ans.

DOCUMENTATION / DOCUMENTATION

1. P. Clark, Councillor dated 14 January 2013 (ACS2013-CMR-FED-0001) / Rapport du conseiller daté du 14 janvier 2013 (ACS2013-CMR-FED-0001).
2. Extract of Draft Minutes 28, Finance and Economic Development Committee meeting of 21 January 2013.

Report to/Rapport au :

Finance and Economic Development Committee
Comité des finances et du développement économique

and Council / et au Conseil

January 14, 2013
14 janvier 2013

Submitted by/Soumis par : Peter Clark, Councillor / conseiller

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CITY WIDE / À L'ÉCHELLE DE LA VILLE

Ref N°: ACS2013-CMR-FED-0001

SUBJECT: TAX REBATE FOR VACANT COMMERCIAL PROPERTIES

**OBJET : REMBOURSEMENT DE TAXES POUR PROPRIÉTÉS
COMMERCIALES VACANTES**

REPORT RECOMMENDATIONS

Whereas the Province has dictated that vacant commercial properties may apply for and receive a tax rebate if the property is vacant; and

Whereas this subsidy is directly from municipal revenues; and

Whereas some properties are allowed to become derelict or create property standards issues;

Therefore be it resolved that Council, to encourage activity with respect to these properties, petition the Province to limit access to this rebate to a three (3) year period.

RECOMMANDATIONS DU RAPPORT

Attendu que la Province a décrété que les propriétaires commerciales vacantes peuvent présenter une demande pour obtenir un remboursement de taxes; et

Attendu que cette subvention est tirée directement des recettes municipales; et

Attendu que certaines propriétés sont susceptibles d'être laissées à l'abandon ou de déroger aux normes de biens-fonds; et

Par conséquent, afin d'encourager la tenue d'activités sur ces propriétés, il est résolu que le Conseil adresse à la Province une requête pour limiter l'accès à ce remboursement à une durée de trois (3) ans.

BACKGROUND

At the November 2, 2012 meeting of the Finance and Economic Development Committee, Councillor Peter Clark submitted the above-noted Notice of Motion, for consideration at a subsequent meeting. Accordingly, this matter is before the Finance and Economic Development Committee for its consideration.

DISCUSSION

The relevant legislation for vacancy rebates is found in Section 364 of the Municipal Act. It has been in place since 2001 to replace previous legislation and tax treatment of vacant space for commercial and industrial buildings. Prior to 1998, properties paid either a residential mill rate or a commercial/industrial mill rate that was 15% higher. In addition, the commercial/industrial factor was higher than the residential assessment factor. Municipal levies were also supplemented by a Business Occupancy Taxes (BOT) issued to tenants if the property was occupied. If the property was vacant the BOT was not applicable.

In 1998 the Ontario Municipal Act changed the property taxation system in Ontario from a mill rate / assessment factor system to a tax rate on current value assessment. Several property classes and sub-classes were created with transition ratios and higher rates that incorporated the BOT for the Commercial and Industrial classes to be paid by the property owners. During this period a tax qualifier was used for any vacant portion of the commercial/industrial building making these portions subject to a 30% or 35% discount. This was administratively difficult for municipalities as vacancies can occur at any given time of the year and may occur more than once on the various rental areas of a building.

In 2001 under Section 364 of the new *Municipal Act, 2001*, municipalities were required to have a tax rebate program by application for eligible vacant buildings or portions thereof, if the property is in any of the commercial or industrial classes. A building, or a portion of it, is deemed eligible for a rebate if it is vacant for at least 90 consecutive days. The legislated rebate percentages are 30% of the taxes applicable to the vacant areas for property in the commercial classes and 35% for the industrial classes. Regulation provides for some exclusion to the rebate program. The exclusions are for seasonal property (businesses operating on a seasonal basis), leased property (vacant but leased to a tenant) and for all classes of vacant land.

In the past local municipalities have not levied or collected taxes for vacant spaces to the same level as fully occupied space. The existing vacancy rebate program maintains

this status quo with no incentive to address this particular issue of derelict properties. Some extended vacancy situations will require further consideration should the province adopt a three year limit. These include properties under major lengthy retrofits, portion or floors of buildings that may be more difficult to rent, business areas with high vacancy rates, buildings such as shopping centres where there is always a small amount of vacant space, impact of the economy on ability to rent, etc.

Approximately 750 vacancy rebate applications are received each year. The municipal share has varied between \$5.5 Million to \$7.2 Million over the last 3 years. Of these, 284 applications or 38% had partial or full vacancies for all 3 years from 2009 to 2011. Further detailed analysis would be required to see if the full or same portion of the building remained vacant during this three year period.

RURAL IMPLICATIONS

There are no rural implications.

CONSULTATION

This item will be advertised in the local dailies as part of the Public Meeting Advertisement on Friday preceding the Committee meeting.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a city-wide issue.

LEGAL IMPLICATIONS

There are no legal impediments to approving the recommendations of this report.

RISK MANAGEMENT IMPLICATIONS

There are no risk management implications associated with this report.

FINANCIAL IMPLICATIONS

The City processes approximately 750 applications every year for a total of \$5 Million. The municipal share has varied between \$5.5 Million to \$7.2 Million over the last 3 years. Should the Provincial Legislation be modified to address this issue, it is anticipated that only a small number of applications would be denied due to continuous vacancy exceeding 3 years.

ACCESSIBILITY IMPACTS

There are no accessibility impacts associated with this report.

ENVIRONMENTAL IMPLICATIONS

There are not environmental implications associated with this report.

TECHNOLOGY IMPLICATIONS

There are no technology implications associated with this report.

TERM OF COUNCIL PRIORITIES

Not applicable.

DISPOSITION

If Council approves the report recommendation, the City Clerk and Solicitor will prepare a letter, to be sent to the Province.