



**City of  
Peterborough**

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**To:** **Members of the Committee of the Whole**

**From:** **Sandra Clancy, Director of Corporate Services**

**Meeting Date:** **May 29, 2017**

**Subject:** **Report CPFS17-023**  
**Vacancy Rebate Program Recommendations**

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## **Purpose**

A report to provide Council with the results of consultations with the local business community and to recommend changes to the Vacancy Rebate Program.

## **Recommendations**

That Council approve the recommendations outlined in report CPFS17-023 dated May 29, 2017, of the Director of Corporate Services as follows:

- a) That the Vacancy Rebate Program be eliminated for the 2017 taxation year commencing with the 2018 budget.
- b) That the \$300,000 budget for the Vacancy Rebate program be redeployed to the Tax Ratio Reduction Program by accelerating the reduction of ratios for the Commercial tax class.

## **Budget and Financial Implications**

An amount of \$300,000 has been included in the 2017 Operating Budget for the Vacancy Rebate Program. If Council approves the elimination of the Program for the 2018 budget year, the net tax levy requirement in 2018 will be reduced by an equivalent amount.

By redeploying the funds to accelerate the reduction of the ratios for the Commercial Tax class, all Commercial property owners will receive a direct benefit.

By reducing the net tax levy by \$300,000 the Residential tax class is, for the most part, kept whole.

## Background

### History

Since 1998, municipalities have been required to participate in a Vacancy Rebate Program that provides property tax relief through a rebate of property taxes to owners of vacant Commercial and Industrial buildings.

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

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

The table below indicates the total number of properties with successful applications since 2011 along with the cost to the Municipality and the Province.

Year Processed	Total Municipal Rebate	Total Education Rebate	Number of Properties
2011	230,335.67	182,888.58	81
2012	304,338.59	228,794.04	87
2013	356,147.43	257,167.12	90
2014	379,766.62	278,150.31	94
2015	304,206.93	226,630.74	102
2016	281,208.10	208,873.98	102
2017	272,498.49	197,477.42	99
<b>Total</b>	<b>2,128,501.83</b>	<b>1,579,982.19</b>	

### Notes:

- 1) In 2017, 8% of the commercial/industrial properties in Peterborough received tax relief for the 2016 calendar year under this program.

## **Changes to Existing Program**

In response to municipal and stakeholder requests, the Province has reviewed the Vacancy Rebate Program and has provided municipalities with flexibility for 2018 and future years by allowing municipalities to make changes to the program. The 2016 Ontario Economic Outlook and Fiscal Review released by the Province announced a legislative framework to facilitate potential program changes. Proposed changes are to be implemented through changes to regulations.

Staff Report CPFS17-015 was presented on April 18, 2017 recommending that Council consider making changes to the program and consult with the public prior to doing so. This report is the result of those consultations and makes some specific recommendations about how to change the program.

Several options can be considered:

1. Status Quo – no changes to the current program.
2. Revise the current Program – there are numerous options that Council may want to consider:
  - i. Instead of 90 day vacancy, make the minimum length 6 months
  - ii. Change rate to a lesser amount, eg. 20%
  - iii. Further limit property types eligible for the program, eg. omit mini storage facilities.
3. Phase out the program over a two or three year period.
  - i. Applications received in 2018 for the 2017 tax year would be processed as normal with a letter sent to each successful applicant advising them of the phasing out of the program.
  - ii. The amounts of the rebate would decrease over the next two or three years so that no rebate would be offered in either 2020 or 2021, respectively.
4. Eliminate the rebate program in its entirety immediately.

## **Consultations with Local Business Community**

Open Houses were held at City Hall May 9, 2017 from 2:00 p.m. to 4:00 p.m. and from 6:00 p.m. to 7:00 p.m. These consultations were advertised via Media Releases as well as by directly contacting the BIA, the Village BIA, the Chamber of Commerce and Peterborough Economic Development and requesting their assistance in raising awareness of the consultation process.

During the open house held in the afternoon, there were two members of the community who attended and spoke at length regarding the Vacancy Rebate Program. However, one of the individuals represented approximately 12 local business owners on behalf of the Chamber of Commerce. No one attended the open house held in the evening.

## **Responses**

In response to our request for written comments staff received 17 emails from the community.

Residential - 11

Commercial - 6

Through the consultation process the following comments were received:

### **Comments in support of eliminating the Vacancy Rebate Program:**

- Providing a vacancy rebate may encourage property owners to keep buildings vacant and discourage improving derelict buildings.
- Eliminating or phasing out the rebate program would encourage the downtown to enhance its image and encourage vibrancy.
- A downtown core with fewer vacant buildings would encourage an increase in visitors to the downtown.
- The rebate program creates inequities in that there are no rebate programs for either residential or multi-residential property owners.
- A vacant unit fine could be implemented to discourage vacant buildings. It was also suggested that buildings with chronic vacancies could be taxed at a higher rate.
- Many businesses experience less productive periods, but are not offered a property tax rebate as a result.
- The City of Peterborough should provide incentives for owners to make improvements to buildings and discourage vacancies. One respondent suggested reduced property taxes and development charges to encourage full occupancy.
- The Downtown Business Improvement Area (DBIA) supported phasing out the Program over a period of three years if the funds were rededicated to the Central Area Community Improvement Plan. Correspondence received from Terry Guiel, from the DBIA, is attached to this report as Appendix A.

- The Peterborough Chamber of Commerce (Chamber) provided feedback that the redeployment of any funds should be city-wide because the Vacancy Rebate Program applies to ratepayers in commercial and industrial tax classes across the City. The Chamber supports using the funds to fast track the Tax Ratio Reduction Program for commercial and industrial ratepayers and further recommends that once the tax ratio reduction goals are achieved, the City should engage with the business community to determine further reductions or other incentive programs. Correspondence from Sandra Dueck, from the Greater Peterborough Chamber of Commerce, is attached as Appendix B.

### **Comments in support of keeping the Vacancy Rebate Program**

- Commercial and industrial properties are taxed at a higher rate than residential properties and are, therefore, subsidizing programs and services in the City which are used overwhelmingly by individuals and not businesses.
- Commercial and industrial property owners would rather have their spaces rented and collect the associated rent amounts than receive a tax rebate due to vacancy but if they do have a vacancy while they are actively trying to rent it, the vacancy rebate is helpful.
- Those who did not support the phase out or elimination of the program were supportive of changes being made to the eligibility requirements, such as requiring that the owners must be actively attempting to lease vacant areas.
- One commercial property owner, who received the rebate beginning late in 2016, opposed the elimination of the rebate program and cited the fact that they are small business owners with 20 employees. The elimination of the rebate program would make it difficult to continue to manage the building financially.

In general, it was found that those who have received or may receive a rebate in the future were opposed to either phasing out or eliminating the Vacancy Rebate Program while others were eager to see the program eliminated. One business owner in the downtown did express support for the elimination of the program citing the unappealing nature of vacant buildings and also supported a fine for vacant buildings.

### **Discussion**

Options following consultations:

#### **1. Status Quo – no changes to the current program**

While a number of property owners who currently benefit from the rebate program were in favour of leaving the vacancy rebate program unchanged, the fact that the Province of Ontario is allowing municipalities to explore options related to changing the program speaks to the fact that the program in its current form is no longer viable. None of the respondents who do not own eligible property showed support for this option.

## **2. Revise the current program**

Proponents of keeping a revised program spoke specifically of strengthening the requirement that the property owner must be actively seeking to lease vacant areas. The argument was made both for and against denying rebates if the landlord was too choosy regarding tenants. No one voiced support for reducing the rebate percentage. There were also differing thoughts on capping the program to a maximum number of years. Opposing this option were those who argued that tenants might come and go leaving owners with no recourse once they reach the maximum number of years to receive a rebate. Revising the program was not supported by those who do not own eligible property.

## **3. Phase out the program over a two or three year period**

None of the commercial/industrial property owners supported phasing out the program. A few respondents who were in favour of eliminating the program did agree that a phase out would be acceptable.

## **4. Eliminate the rebate program in its entirety immediately**

The majority of those who responded stated that the program should be discontinued and most favoured immediately ending the program. One of the downtown business owners cited this option as the most favourable.

Many municipalities across Ontario have conducted reviews of the Vacancy Rebate Program:

- City of Toronto - The City of Toronto has confirmed through Council motion that it will eliminate the program in 2018. For January 1 to June 30, 2017 the full vacancy rebate will be offered. For July 1, 2017 to June 30, 2018 the rebate percentages will be reduced by half. As of July 1, 2018 the vacancy rebate will be eliminated.
- City of Kawartha Lakes – City of Kawartha Lakes Council approved a report dated April 18, 2017 to phase out the program over a two year period beginning in 2017. The rebate percentages will remain unchanged for 2017 and for 2018 no rebate will be offered.
- City of Ottawa - On May 10, 2017 Ottawa City Council voted to phase out the rebate program over a period of two years. The rebate amount will be reduced to 15% for 2017 and eliminated in 2018.
- Town of Parry Sound - On April 18, 2017 the Council of Parry Sound passed a resolution to eliminate the program in its entirety as of January 1, 2018.
- Halton Region - Halton Region is eliminating the rebate program with a phase out in 2018 and 2019. The existing rebate will be available for the 2017 tax year. For 2018 the rebate will be reduced and for 2019 no rebate will be provided.

- Port Hope - Port Hope has passed a Council resolution requesting that the Province of Ontario remove Section 364 which covers the Vacancy Rebate Program, from the Municipal Act, 2001.
- Aurora - The town of Aurora has passed a motion to repeal the rebate for the 2017 tax year.

### **Assistance for Properties Undergoing Renovations**

One of the concerns that came up at the Committee of the Whole meeting on April 18, 2017 and in some of the consultations was how to assist commercial and industrial property owners during times of renovations when the units must be vacant to do the renovation.

If the City of Peterborough chooses to eliminate the vacancy rebate program, tax relief will still be available for property owners who choose to renovate or repair their commercial/industrial buildings, as long as the renovation lasts more than three months, under **Section 357 of the Municipal Act (Section 357)**.

Section 357 allows taxes to be cancelled, reduced or refunded for a number of different reasons, this being one of them. However, beginning in 2007, tax relief for commercial and industrial properties undergoing repairs or renovations was shifted from **Section 357** to the Vacancy Rebate Program. **Section 357 (1.1)** reads that no cancellation, reduction or refund is permitted under this section for properties that are eligible for a vacancy rebate.

With the elimination of the Vacancy Rebate Program periods of renovation will once again be covered under **Section 357**. To qualify for tax relief, renovations must be ongoing and the appropriate building permits must be obtained.

### **Other Programs that Assist Downtown Development**

The City currently offers programs to assist with building restorations through the Central Area Community Improvement Plan which was implemented in 2012. Incentives are provided through the Facade Improvement Program, via a matching grant, and the Central Area Revitalization Program, which offers tax incentives following redevelopment. Owners can also take advantage of the Municipal Incentive Grant to assist with the costs of certain municipal fees or the Residential Conversion Grant for providing residential units. These incentive programs allow property owners to offset a variety of costs that are associated with improvements to their buildings.

### **Staff Recommendation**

Based upon the previous discussion and the feedback received, staff are recommending that the Vacancy Rebate Program be eliminated for the 2017 taxation year, commencing with the 2018 budget.

## **Redeployment of \$300,000 Budget**

In Council's deliberations on this issue on April 18, 2017, the following motion was also passed:

That the consultations include a discussion of how the funds associated with this program can be effectively redeployed to assist property owners who are dealing with vacancies.

Since Section 357 will assist property owners dealing with a vacancy due to renovation or repair and the Central Area Community Improvement Plan will also assist in certain circumstances, staff recommend that the funds be redeployed in their entirety to the benefit of all Commercial ratepayers not just those dealing with vacancies. This can be achieved by accelerating the tax ratio reduction program for the Commercial Tax class.

If Council adopts recommendation b), this will accelerate the pace of the ratio reductions by one year; meaning, as long as Council continues implementing the tax ratio reduction program in future years, the Commercial class will achieve the goal of 1.5% of the residential class by 2020 – not 2021.

The Tax Ratio Reduction Program impacts other classes by shifting the tax burden away from those getting a reduction to those that are not. By reducing the net tax levy by \$300,000, the impact on the other tax classes is mitigated, the largest being the Residential tax class.

Appendix C to the report outlines the original schedule of Tax Ratios under the current Tax Ratio Reduction Plan and Appendix D outlines the revised schedule if the recommendation in this report is approved.

Option 2 – If Council is reluctant to eliminate the Vacancy Rebate Program for the 2017 tax year, the next option staff would recommend is to phase out of the program over two years. In this scenario the budgeted funds could still be redeployed to the Tax Ratio Reduction program, but only in proportion to the phase out percentage that would apply.

Should Council choose this Option, the appropriate recommendations to make would be as follows:

- a) That the Vacancy Rebate Program be phased out over a period of two years by reducing the rebate percentage for both the Commercial and Industrial tax classes for 2017 to 15% and eliminate the program for the 2018 taxation year.
- b) That the \$300,000 budget for the Vacancy Rebate program be redeployed to the Tax Ratio Reduction Program in proportion to the phase out, to accelerate the reduction of ratios for the Commercial tax class.

## Summary

In response to municipal and stakeholder requests, the Province has provided municipalities with the flexibility to review the Vacancy Rebate Program and, following community consultations, make changes to the program. Municipalities province-wide are undergoing reviews of the rebate program and many have opted to phase the program out over a two or three year period or eliminate the rebate program immediately.

Council endorsement of this report and the recommendations to eliminate the program for the 2017 tax year, beginning with the 2018 Budget will allow staff to request that Ministry of Finance implement Council's decision with respect to the Vacancy Rebate Program by Provincial Regulation and accelerate the Tax Ratio Reduction Program for the commercial class.

Submitted by,

Sandra Clancy  
Director of Corporate Services

Contact Name:

Kim McPhail,  
Assessment and Taxation Review Officer  
Phone: 705-742-7777 Ext 1792  
Toll Free: 1-855-738-3755  
Fax: 705-748-8839  
E-mail: [kmcphail@peterborough.ca](mailto:kmcphail@peterborough.ca)

Attachments:

Appendix A – Correspondence from Terry Guiel, Executive Director of the Downtown Business Area.

Appendix B - Correspondence from Sandra Dueck, Policy Analyst / Communication Specialist with the Greater Peterborough Chamber of Commerce.

Appendix C – Tax Ratio Reduction Program – Original

Appendix D – Tax Ratio Reduction Program - Revised

Appendix A

**Correspondence from Terry Guiel, Executive Director of the  
Downtown Business Area**



May 16, 2017

City of Peterborough  
500 George St, Peterborough

Attention:  
Richard Freymond  
Sandra Clancy

Re: Vacancy Rebate Program

We thank the city for the opportunity to provide feedback on the Vacancy Rebate Program.

The DBIA would support phasing out the City of Peterborough's Vacancy Rebate Program over a period of three years if the below recommendations are considered.

We would strongly suggest rededicating these funds to the Central Area Community Improvement Plan. These funds should be redirected directly to the CIP immediately as the savings are realized by the City.

As we know the Central Area is the civic, cultural, social and economic core of the city. The Central Area Community Improvement Plan has proven to be helpful in its attempt to counter the ongoing decline of the central area, a decline that was identified in both the 2008 and updated 2015 Urbanmetrics Downtown Market Analysis. Additional funds for this vital improvement plan would greatly help the city reach its own mandated Provincial targets. The Places to Grow legislation highlights these goals for municipalities. This Provincial Act mandates the intensification of jobs and residents in our central area and is one of the underlying objectives of the City's Central Area Master Plan.

The Central Area Community Improvement Plan plays an essential part in encouraging investment in the downtown which strengthens the economic and cultural life of our community.

Yours,

A handwritten signature in black ink, appearing to read "Terry Guiel".

Terry Guiel  
Executive Director  
Downtown Business Improvement Area

Appendix B

**Correspondence from Sandra Dueck, Policy Analyst /  
Communication Specialist with the Greater Peterborough  
Chamber of Commerce**

## Redeploying the Vacancy Rebate Program Funds to Enhance Business Investment Opportunities

### Issue

The City of Peterborough is re-examining its Vacancy Rebate Program. This review also provides opportunity to discuss how to use the allocated budget to enhance programs that apply to the commercial and industrial rate payers.

### Background

The City of Peterborough sets aside \$300,000 each year under the current Vacancy Rebate Program. The program, which has been in place since 1998 and is mandated by the provincial government, provides tax relief through a rebate of property taxes to owners of vacant commercial and industrial buildings. Currently, the rebates sit at 30% for commercial buildings and 35% for industrial should the property meet certain requirements, including length of vacancy.

Recently, the province has allowed municipalities to start discussions and make changes to the program. Several options are on the table:

1. Eliminate the rebate program in its entirety beginning in 2018 for the 2017 tax year.
2. Phase out the program over a 3 year period:
  - Applications received in 2018 for the 2017 tax year to be processed as normal.
  - Applications received in 2019 for the 2018 tax year would be eligible for a rebate of 20% if commercial and 23.5% if industrial
  - Applications received in 2020 for the 2019 tax year would be eligible for a rebate of 10% if commercial and 12 % if industrial.
  - No rebate would be offered beginning in 2021.
3. Status Quo – no changes to the current program.
4. Revise the current program.
  - Potential changes that may be considered include reducing the rebate percentage, increasing the minimum period of vacancy and limiting the property types eligible for the program.

There are other options that the business community believes have merit to encouraging continued business investment in Peterborough and revitalization of current building stock. As the Vacancy Rebate Program applies to ratepayers in commercial and industrial tax class across Peterborough, the redeployment of any funds should be city-wide as well.

The Tax Ratio Reduction Program lobbied for by the Peterborough Chamber of Commerce, Kawartha Manufacturer's Association and Peterborough & the Kawarthas Association of Realtors is currently set to meet its target of 1.5 times the residential tax rate by 2021. Our understanding is that applying the Vacancy Rebate Fund to accelerate the program will allow the commercial rate to realize that ratio a year ahead of schedule in 2020.



**Recommendations:**

The Peterborough Chamber of Commerce urges the City of Peterborough to:

1. Use the allocated \$300,000 from the Vacancy Rebate program to fast track the Tax Ratio Reduction Program for commercial and industrial ratepayers.
2. Once the tax ratio reduction goals are achieved for commercial and industrial ratepayers, engage with the business community to determine further reductions or other incentive programs.

## Appendix C

### **Tax Ratio Reduction Program – Original**

City of Peterborough  
Ratio Reduction Plan model

Tax Ratios

**Residential**

		2016	2017	2018	2019	2020	2021
Residential	100.00%	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
Multiresidential	100.00%	1.9472100	1.9472100	1.9472100	1.9472100	1.9472100	1.9472100
New Multi-residential	100.00%	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000
Commercial							
Commercial Class	100.00%	1.6001250	1.580100	1.560075	1.540050	1.520025	1.500000
Commercial Class New Construction	100.00%	1.6001250	1.580100	1.560075	1.540050	1.520025	1.500000
Commercial Class Vacant Units	70.00%	1.1200880	1.106070	1.092050	1.078040	1.064020	1.050000
Commercial Class Vacant Units New Constr.	70.00%	1.1200880	1.106070	1.092050	1.078040	1.064020	1.050000
Commercial Class, Vacant Land	70.00%	1.1200880	1.106070	1.092050	1.078040	1.064020	1.050000
Commercial Class, Vacant Land New Constr.	70.00%	1.1200880	1.106070	1.092050	1.078040	1.064020	1.050000
Industrial							
Industrial Class	100.00%	1.8430000	1.774400	1.705800	1.637200	1.568600	1.500000
Industrial Class New Construction	100.00%	1.8430000	1.774400	1.705800	1.637200	1.568600	1.500000
Industrial Tax Vacant Units	65.00%	1.1979500	1.153360	1.108770	1.064180	1.019590	0.975000
Industrial Tax Vacant Units New Constr.	65.00%	1.1979500	1.153360	1.108770	1.064180	1.019590	0.975000
Industrial Class, Vacant Land	65.00%	1.1979500	1.153360	1.108770	1.064180	1.019590	0.975000
Industrial Class, Vacant Land New Constr.	65.00%	1.1979500	1.153360	1.108770	1.064180	1.019590	0.975000
Other							
Pipeline	100.00%	1.2706000	1.270600	1.270600	1.270600	1.270600	1.270600
Farm Property	100.00%	0.2500000	0.250000	0.250000	0.250000	0.250000	0.250000
Farm Land Awaiting Development	100.00%	0.7500000	0.750000	0.750000	0.750000	0.750000	0.750000
Managed Forest	100.00%	0.2500000	0.250000	0.250000	0.250000	0.250000	0.250000

## Appendix D

### **Tax Ratio Reduction Program – Revised**

City of Peterborough  
Ratio Reduction Plan model

Tax Ratios

**Residential**

		2016	2017	2018	2019	2020	2021
Residential	100.00%	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
Multiresidential	100.00%	1.9472100	1.9472100	1.9472100	1.9472100	1.9472100	1.9472100
New Multi-residential	100.00%	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000
Commercial							
Commercial Class	100.00%	1.6001250	1.580100	1.540050	1.520025	1.500000	1.500000
Commercial Class New Construction	100.00%	1.6001250	1.580100	1.540050	1.520025	1.500000	1.500000
Commercial Class Vacant Units	70.00%	1.1200880	1.106070	1.078040	1.064020	1.050000	1.050000
Commercial Class Vacant Units New Constr.	70.00%	1.1200880	1.106070	1.078040	1.064020	1.050000	1.050000
Commercial Class, Vacant Land	70.00%	1.1200880	1.106070	1.078040	1.064020	1.050000	1.050000
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Industrial Tax Vacant Units New Constr.	65.00%	1.1979500	1.153360	1.108770	1.064180	1.019590	0.975000
Industrial Class, Vacant Land	65.00%	1.1979500	1.153360	1.108770	1.064180	1.019590	0.975000
Industrial Class, Vacant Land New Constr.	65.00%	1.1979500	1.153360	1.108770	1.064180	1.019590	0.975000
Other							
Pipeline	100.00%	1.2706000	1.270600	1.270600	1.270600	1.270600	1.270600
Farm Property	100.00%	0.2500000	0.250000	0.250000	0.250000	0.250000	0.250000
Farm Land Awaiting Development	100.00%	0.7500000	0.750000	0.750000	0.750000	0.750000	0.750000
Managed Forest	100.00%	0.2500000	0.250000	0.250000	0.250000	0.250000	0.250000