

Vacancy Rebate Program

Current Program

Since 1998 Municipalities in Ontario have been required to participate in a Vacancy Rebate program that provides property tax relief through a rebate of property taxes to owners of Commercial and Industrial buildings.

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;

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

An amount of \$300,000 has been included in the 2017 Operating Budget for the municipal portion of the Vacant Unit Program.

Proposed Changes to Existing Program

In response to Municipal and stakeholder requests, the Province of Ontario has reviewed the Vacancy Rebate Program and is providing municipalities with flexibility for 2017 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. As per the Province, any program changes are now municipal decisions.

To consider any proposed changes the Province has outlined requirements that municipalities must meet;

- The local business community must be engaged and the municipality must communicate potential impacts of proposed changes to the business community.
- Details regarding how the local business community has been engaged must be included in any proposal made to the Province.

On April 24, 2017 Peterborough City Council approved the recommendation that staff begin the process of consulting with the local business community regarding proposed changes to the Vacancy Rebate Program.

The options presented to City Council were:

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 the 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.

Local Considerations

In reviewing options it is important to consider the following;

- The Vacancy Rebate Program is subsidized by all property classes in the City of Peterborough. There is no rebate program available to owners of vacant residential or multi-residential properties.
- The City of Peterborough's Tax Ratio Reduction program which began in 2008 will conclude in 2021 and at that time the tax ratio for Commercial and Industrial properties will have been reduced to 1.50.
- Although difficult to demonstrate some feel that the program contributes to buildings remaining vacant for extended periods of time and having an overall negative impact on the areas in which they are situated.
- The repeal of the program may encourage property owners to look for creative ways to fill vacant spaces as well as to restore empty buildings that need renovations.
- The City of Peterborough currently offers a number of incentive programs for businesses wishing to renovate their buildings, such as the Central Area Revitalization Program, the Façade Improvement program, the Municipal Incentive grant program and the Residential Conversion and Intensification Grant Program. These programs offer a variety of ways that local businesses can offset the cost of improving their spaces.

- Tax relief will still be available to commercial and industrial property owners during renovations that last more than 3 months under **Section 357 of the Municipal Act, 2001**.
- 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.

The annual amount of \$300,000 in the City's operating budget for the vacancy rebate program could be dedicated to some specific program or provide more funding to an existing program that assists property owners in the renovation of a vacant unit versus becoming available to fund other city services in general.

To gather responses from the local business community as well as to discuss possible changes to the program, the City of Peterborough will be holding open houses at City Hall, 500 George Street North on Tuesday May 9, 2017 from 2:00 p.m. to 4:00 p.m. in the Doris Room and from 6:00 p.m. to 7:00 p.m. in the front foyer.

We are also asking for written feedback from members of the business community. Please submit your comments to kmcphail@peterborough.ca no later than noon, Wednesday May 10, 2017.

Following the consultation process Staff will be bringing a report and final recommendations to Council for their Committee of the Whole meeting on May 29, 2017 and expected final approval on June 5, 2017 meeting.

If you have any questions, please contact Kim McPhail at 705-742-7777 ext. 1792.