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Date: May 12, 2017
To: Mayor and Council
Author: Sandra Zwiers, Director of Financial Services
RE: Vacancy Rebate Proposed Changes
Report No.: FS-2017-008

AIM

To provide council with information and administration's proposed actions to address recent legislative change opportunities relating to the vacancy rebate program.

BACKGROUND

The Town of Kingsville, along with all other lower tier municipalities in Essex County, currently offers a vacancy rebate program. This program was established in 2001 under section 364 of the *Municipal Act*. The program provides tax rebates to owners of vacant property in the commercial and industrial tax classes. The commercial class receives a 30% rebate while the industrial class receives a 35% rebate if the property remained vacant for a minimum of 90 consecutive days.

Recent changes to legislation now afford municipalities the opportunity to review the vacancy rebate program at the local level. Historically, the program has been established and set solely by the province for mandatory implementation by municipalities. Municipalities are now able to assess the success of the vacancy rebate program in light of their own circumstances and if desired, make changes to the program at the local level. The province set out guidelines in the form of a checklist that municipalities must abide by in order to propose changes to the program. All proposed changes require provincial approval. Since tax policy is set at the County level in consultation with the lower tier municipalities, this topic was first addressed at the County level by the County Clerk, Mary Brennan.

At the March 15th meeting of County Council it was resolved:
..."And further that the Essex County Tax Collectors and Treasurers group be requested to develop a work plan and recommendations regarding the Vacant Unit Rebate programs in Essex County, prior to July 1, 2017."

On May 8, 2017, a meeting of the County Tax Collectors and Treasurers was held to discuss the vacancy rebate program.

DISCUSSION

There are advantages and disadvantages to the vacancy rebate program.

ADVANTAGES	DISADVANTAGES
Provides financial relief to owners to offset loss of rental revenues	Rebate programs that provide incentive for vacancy can be seen as counterproductive to other incentive programs that encourage occupancy and growth
Provides a measure of building security through lean economic times by reducing the incentive to simply demolish vacant buildings that may be viable once the economy recovers	Can contribute to speculative investment purchases of property that finance a period of vacancy longer than would otherwise be the case without the rebate program
Tax savings can be used to reinvest in the vacant property to increase rental viability in the future.	Some properties receive vacancy rebate payments year after year which suggests the program isn't addressing the main reason why the property is vacant
	Discourages seasonal renting of commercial space (lease terms less than one year) and market driven rental rates
	No guarantee that tax savings from rebate program will be used to increase rental viability.
	Administrative resources required to administer program effectively

The Town of Kingsville processes an average of 10 vacancy rebates annually with a rebate value of approximately \$6,500. While the amount is not significant, the rebate program does absorb staff time to process that administration suggests would be better served allocated to more value added services.

The majority of comments received at the County Tax Collectors and Treasurers meetings suggest a recommendation to eliminate the vacancy rebate program. In Kingsville's case, the evolution of the Community Improvement Plan that will have its own set of incentive programs for commercial and industrial classes of property will nicely replace any loss of funding felt by the business community. It is arguable that the incentive programs offered under a CIP would actually better equip property owners to reduce possible vacancies and align with the town's strategic goals for growth and economic prosperity.

The decision of the County Tax Collectors and Treasurers was to provide this background information to our respective councils and seek approval to proceed with the necessary public consultation with the business community as required by the provincial checklist. The public consultation would provide an opportunity to receive input from the business community and ensure the recommendation to eliminate the rebate program has as few unintended consequences as possible. The goal of the county wide open house would be

to reach consensus on the elimination of the rebate program county wide. It is felt that a unified direction by all lower tiers will have a smoother approval process at the provincial level.

Logistically it is not feasible to conduct an open house, analyze the data, make a final recommendation and present same to all lower tier councils by the July 1, 2017 deadline. It is recommended that the public consultation include information outlining a proposal to eliminate the vacancy rebate commencing with the 2018 taxation year.

LINK TO STRATEGIC PLAN

To develop an economic vision based on our strengths and opportunities that will retain existing and attract new businesses.

To encourage leadership and management that will provide the direction to achieve our goals and maximize the effectiveness of our strategies.

FINANCIAL CONSIDERATIONS

The elimination of the vacancy rebate program would reduce the tax write off expense by approximately \$6,500 annually. The opportunity cost of staff resources assigned to the processing of applications and issuance of rebate cheques for the current program amounts to approximately \$1,250 annually.

CONSULTATIONS

Linda Brohman, Tax Collector
County Tax Collectors and Treasurers

RECOMMENDATION

That council approves administration to proceed on a collective basis with the County Tax Collectors and Treasurers group to conduct a county wide public consultation session to propose the elimination of the Vacancy Rebate Program in Essex County effective for the 2018 taxation year.

Sandra Zwiers

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Director of Financial Services

Peggy Van Mierlo-West

Peggy Van Mierlo-West, C.E.T.
Chief Administrative Officer