



Town of Newmarket
395 Mulock Drive P.O. Box 328,
Newmarket, Ontario, L3Y 4X7

Email: info@newmarket.ca | Website: newmarket.ca | Phone: 905-895-5193

Property Tax Rebate Program for Vacant Commercial or Industrial Units Information Report

Report Number: 2018-02

Department(s): Financial Services

Author(s): Grace Marsh

Date: January 3, 2018

In accordance with the Procedure By-law, any member of Council may make a request to the Town Clerk that this Report be placed on an upcoming Committee of the Whole agenda for discussion.

Purpose

The purpose of this report is to update Council on the status and next steps for staff regarding the elimination of the Property Tax Rebate Program for Vacant Commercial and Industrial units effective for the 2018 taxation year.

Background

Council has received and approved two previous reports on this subject;

Corporate Services Report 2017-08 provided Council with the background that established this rebate program in 1998 and the options provided to local municipalities to implement changes through Regulation. Attachment 1.

Corporate Services Report 2017-43 provided Council with the results of the required community engagement sessions that were undertaken, as well as the results of the on-line survey. This report also sought Council's endorsement to phase-out (eliminate) the rebate program effective for tax year 2018. Attachment 2.

Discussion

Newmarket Council's endorsement to phase-out (eliminate) the rebate program effective for the 2018 tax year (Attachment 3) was provided to the Region of York, along with the other 8 local municipalities' positions. The Region of York subsequently passed a resolution endorsing the elimination of the rebates for 2018, reflecting the position of the majority of the local municipalities.

Chair Emmerson sent a letter to the Minister of Finance on December 20, 2017. Attachment 4.

Next Steps

Staff will start receiving the rebate applications for the 2017 tax year over the next 6 to 7 weeks, and as they are processed and decision letters sent to our taxpayers, we will include the following note prominently;

In 2016, the Province of Ontario, in consultation with municipal and business stakeholders undertook a review of the vacant unit property tax rebate program. The results of the review were municipalities being provided broad flexibility related to this program.

Following local community engagements and on-line surveys in 2017, all the municipalities in York Region, as well as the Region of York, passed resolutions to eliminate the program starting with the 2018 tax year.

The formal regulation is scheduled to be enacted during 2018, however we are taking this opportunity to provide you with early notice that we will not be providing any tax relief under this program for the 2018 tax year and beyond.

We will also include a notice on the flyer included with the 2018 final property tax bills later this year.

The Region of York will continue to work with the Province of Ontario and ensure that all municipalities are notified when the formal regulation is enacted.

Conclusion

This report now concludes all the requirements for the elimination of this program.

Business Plan and Strategic Plan Linkages

The report links to Newmarket's key strategic directions in being Well Managed through fiscal responsibility.

Consultation

Throughout the process, there was consultation with the Province of Ontario, The Regional Municipality of York, all 9 local municipalities as well as other municipalities in the Province. There was also stakeholder engagement with the local business community, the Chamber of Commerce and the Main Street District Business Improvement Area.

Human Resource Considerations

Not applicable.

Budget Impact

The Town will realize a reduction in the provision for tax adjustments of approximately \$130,000 per year, starting with 2019. This reduction will primarily benefit the residential class.

Attachments

1. Corporate Services Report – Financial Services 2017-08 February 6, 2017
2. Corporate Services Report – Financial Services 2017-43 October 16, 2017
3. Council Extract – Committee of the Whole Meeting Minutes October 16, 2017
4. York Region Chair Emmerson’s Letter December 20, 2017

Contact

Grace L. Marsh, CMTP, CMM III

Supervisor, Property Tax and Assessment

905-953-5300 Extension 2143

gmarsh@newmarket.ca



CORPORATE SERVICES COMMISSION
Financial Services

TOWN OF NEWMARKET
395 Mulock Drive
P.O. Box 328
Newmarket, ON L3Y 4X7

www.newmarket.ca
mmayes@newmarket.ca
905.895.5193 ext 2102

February 6, 2017

CORPORATE SERVICES REPORT – FINANCIAL SERVICES – 2017-08

TO: Mayor Tony Van Bynen and Members of Council
SUBJECT: Vacant Unit Property Tax Rebate Program Review
ORIGIN: Supervisor, Property Tax & Assessment

RECOMMENDATIONS:

- a) **THAT Corporate Services Report-Financial Services – 2017-08 dated February 6, 2017 regarding a review of the current vacant unit property tax rebate program be received and the following recommendations be adopted:**
- i. **That Council provide direction to staff of their preliminary position regarding the possible elimination or modifications to the program, and**
 - ii. **That staff be directed to participate in the ongoing discussions, and**
 - iii. **That staff report back to Council on the final recommendations that will be made to Regional Council, and if approved, sent to the Province for regulatory authority.**

COMMENTS:

Purpose

The purpose of this report is to provide Council with background on the current program in place to provide annual property tax rebates to vacant commercial and industrial properties; and to seek Council's direction regarding new flexibility being offered to municipalities by the Ministry of Finance to modify or eliminate the program in accordance with local circumstances.

Budget Impact

The last five years show an average budgetary impact for the Town of approximately \$112,100 per year. Any modifications to the program would seek to reduce or eliminate this impact.

Summary

Council approval of this report will provide staff with the direction and authority to engage in discussions with the property tax policy representatives of the nine area municipalities, and the Region of York, with a goal of having York Region Council submit a proposal to the Ministry of Finance along with their resolution for program modifications, effective for tax year 2017.

BACKGROUND

Since 1998, the Vacant Unit Rebate program has provided tax rebates to property owners who have vacancies in commercial or industrial buildings only. The program is based on an annual application and is administered by Town staff. The current rebate is equal to 30% of the taxes levied on the commercial space and 35% of taxes levied on industrial space. This is consistent among the 9 area municipalities, and most of the Province.

The table below provides a five year history of the application volumes and financial impacts for both the Town and the Region. Note: Applications are received in the year following their effective date; therefore the impact of applications for the 2016 tax year will not be known until late 2017.

Tax Year	Number of Applications	Total Refund (including education portion)	Region of York Portion	Town of Newmarket Portion
2015	82	\$534,655	\$127,460	\$121,961
2014	70	\$472,365	\$112,612	\$106,336
2013	84	\$553,980	\$133,250	\$123,654
2012	71	\$468,824	\$113,852	\$102,126
2011	76	\$501,639	\$121,801	\$106,641
Totals	383	\$2,531,463	\$608,975	\$560,718
Average/Year	76	\$506,293	\$121,795	\$112,144

In response to municipal and other stakeholders' requests, the Province is providing municipalities (at the upper tier level) with the flexibility to implement changes through regulation when accompanied by an upper tier Council resolution.

At a recent meeting of the area municipal Treasurers, the Region requested that a staff group be formed to:

- review the Provincial guidelines and checklist for program changes such as
 - engagement of the local business community
- determine if there is a consensus among the local municipalities for change
- create an action plan with regard to the consultation, deadlines and implementation steps

Changes

Staff has consulted with colleagues in our peer associations as well as the area municipalities regarding some of the potential changes that could be considered during the review phase such as:

- completely eliminating the property tax rebates
- reducing the percentage of tax that is rebated for all applicants
- phasing down the percentage of rebates over 2-5 years for repeat applicants

- increasing the information/documentation required with the application in order to reduce the administration and enhance reliability of the applications
- realigning the funding of the rebates so that the residential taxpayer is not bearing the burden of commercial/industrial rebates

Items that Council may wish to consider are:

- This is a business benefit that is subsidized by the residential class, particularly in municipalities like Newmarket with a high ratio of residential vs. commercial/industrial assessment.
- This is not a benefit provided to other types of vacant properties such as residential or multi-residential.
- When MPAC prepares the property assessments for taxation purposes, chronic vacancy, reduced income and economically obsolete (unused) areas are factors considered when establishing the value for taxation purposes. These are also items which are often targeted for a larger allowance during property assessment appeals. When a rebate is granted, on top of the assessment value consideration, this could be seen as “double-dipping”.
- The current program requires a minimum period of 90 days continuous vacancy. This requirement discourages landlords from accepting requests for short term uses, which may generate additional income, or more importantly, which they may have otherwise granted on a charitable basis. For example, a storefront vacancy in a BIA area may be requested for use for advertising or special event promotion and, if granted, the owner would lose eligibility for the rebate. This could be viewed as detrimental to the existing businesses in the surrounding area.
- Although difficult to quantify, there is the opinion that the program actually goes so far as to discourage the leasing of some vacant property, where a landlord may simply be waiting for increased equity for sale purposes.
- The entire program is highly administrative as designed.

BUSINESS PLAN AND STRATEGIC PLAN LINKAGES

This report links to Newmarket’s key strategic directions in being Well Managed through fiscal responsibility.

CONSULTATION

Staff are actively engaged with peer associations such as the Ontario Municipal Tax & Revenue Association (OMTRA), along with all 9 area municipalities finance staff and the Region of York finance and analysis staff. Staff are also receiving and reviewing Council resolutions being forwarded from our jurisdictions and monitoring social media around this issue.

HUMAN RESOURCE CONSIDERATIONS

Staffing levels will remain the same subject to whatever changes are finally implemented. Any reduction in this administrative process will allow additional time to be dedicated to the protection of our tax and assessment base through our Pro-active Assessment Management strategy.

BUDGET IMPACT

Operating Budget (Current and Future)

The elimination or modification of this program will result in a budgetary saving of up to approximately \$112,100 per year starting as early as 2018 for applications from the 2017 tax year.

Capital Budget

No impact on the capital budget.

CONTACT

For more information on this report, contact: Grace Marsh at 905-953-5300, ext. 2143 or via e-mail at gmarsh@newmarket.ca

Grace Marsh, CMTP, CMM III, Licenced Paralegal
Supervisor, Property Tax & Assessment

Mike Mayes, CPA, CGA, DPA
Director, Financial Services/Treasurer

Esther Armchuk , LL.B.
Commissioner, Corporate Services

GM/ne
Attachment:

- a) Ministry of Finance Bulletin, Vacant Unit Rebate and Vacant/Excess Land Subclasses



CORPORATE SERVICES COMMISSION
Financial Services

TOWN OF NEWMARKET
395 Mulock Drive
P.O. Box 328
Newmarket, ON L3Y 4X7

www.newmarket.ca
mmayes@newmarket.ca
905.895.5193 ext 2102

October 16, 2017

CORPORATE SERVICES REPORT – FINANCIAL SERVICES 2017- 43

TO: Mayor Tony Van Bynen and Members of Council

SUBJECT: Property Tax Rebate Program for Vacant Commercial or Industrial Units

ORIGIN: Supervisor, Property Tax & Assessment

Recommendations:

1. **That Corporate Services Report – Financial Services 2017-43 dated October 16, 2017 regarding the existing property tax rebate program for commercial or industrial units be received and the following recommendations be adopted:**
 - a. **That Council endorse the phase-out of the Vacant Unit Property Tax Rebate program effective for tax year 2018; and,**
 - b. **That the Regional Municipality of York accepts this endorsement and proceeds to advise the Province of Ontario accordingly.**

COMMENTS:

Purpose

To provide direction to the Regional Municipality of York to advise the Province of Ontario that the Town of Newmarket wishes to exercise the option provided to municipalities in January of this year to eliminate the current program of providing property tax rebates to vacant business properties.

Budget Impact

The Town will realize a reduction in the provision for tax adjustments of approximately \$113,000 per year, every year starting in 2019.

Summary

Council approval of this report will allow the Regional Municipality of York to move ahead with the Province of Ontario to secure the necessary regulations to eliminate the program effective for the 2018 tax year.

In February of this year, staff provided Council with Corporate Services Report 2017-08 (copy attached) explaining the current program and the options being provided by the Province. The following points summarize that report:

- The program was introduced in 1998 in order to mitigate the transition of the former Business Occupancy Tax from the occupant of a unit over to the property owner.
- The current program is administered by Town staff based on an annual application.
- The current rebate is based on 30% of the taxes levied on commercial space and 35% of the taxes levied on industrial space.
- The average annual cost of the program over the last five years, for the Town is \$113,000. The average annual cost of the program for the Regional Municipality of York, for Newmarket properties, is only \$122,000
- In response to stakeholder requests the Province provided municipalities with the flexibility to implement changes, through regulation under the following circumstances:
 - following engagement of the local business community
 - reaching a consensus with all the lower tier municipalities within a Region including York.

Note: The Province also provided flexibility to eliminate or modify the subclass that captures vacant land and provides a reduced tax rate as well; however both local municipal and regional staff has opted to defer that consideration at this time.

Based on the above report, Newmarket Council endorsed in principle the elimination of the current vacant unit property tax rebate program and directed staff to complete the business consultation, participate in the ongoing discussions with the Regional Municipality of York and area municipal finance staff and requested that staff report back on a final recommendation to the Regional Municipality of York.

Analysis and Options

Consultation was undertaken with the business communities through four public meetings and an online survey, over the course of three months as follows:

	Host	Dates
Northern Six	Town of Newmarket	May 30, 2017
Southern Three	City of Vaughan	June 22, 2017
	City of Markham	June 26, 2017
	Town of Richmond Hill	July 13, 2017

- Total number of attendees at local business consultation meetings: **28**
- Total number of survey respondents: **81**
- The total number of commercial and industrial businesses in York Region are **25,274**

The result of the online surveys, shown below, is that residential property tax payers were the most vocal in their opinion that the program should be eliminated. This result is not surprising as the residential class bears most of the cost of the program and there are no benefits to seeing vacant business space in their communities.

	Businesses	Residents	Other*	Total Count
Eliminate program	3	27	0	30
Keep program as is	28	1	3	32
Keep rebate; modify program	6	9	2	17
Other**	0	2	0	2
Total	37	39	5	81
Total Percentage of Respondents	46%	48%	6%	100%

*Note: representatives from the Chamber of Commerce, tax agents/consultants

**Note: no comments were provided

***Results are from the online survey only

SUMMARY

Finance staff is recommending that Newmarket support the phase-out of the program by accepting applications in 2018 for the final time. This will allow time for staff to advise those businesses applying for the 2017 tax year (applications are received and processed in early 2018) that it will be the final year, and not burden any businesses that may have budgeted for the rebate for 2017.

The primary reasons for the recommendation are:

1. This is a business benefit that is funded primarily by the residential class.
2. This is not a benefit that is provided to any other classes of property such as residential or multi-residential.
3. It was a transitional program that has long overstayed its usefulness (almost 20 years).
4. Vacancy is provided for in the assessment value for business properties. Properties assessed on their income are reduced when income lowers and properties assessed on the cost methodology are provided with vacancy adjustments. This in essence makes this program a 'double dip'.

5. The elimination of the rebate should not negatively affect economic development because newly constructed commercial and industrial properties already enjoy the benefit of either a reduced tax rate (30% for commercial and 35% for industrial) or a reduced assessment value until they are fully occupied for the first time. Further, all the area municipalities in York and many others in the Province will also be eliminating the rebate.
6. The program may actually discourage the leasing of some vacant properties, which can be detrimental to other business in close proximity.
7. The program may encourage the purchase and holding of vacant business properties for equity gains only.
8. As of early September 2017, 29 municipalities have applied to the Province with most requesting the program be completely eliminated within 1-2 years.
9. Within York Region, both Aurora and Whitchurch-Stouffville have already passed resolutions supporting elimination of the program.

BUSINESS PLAN AND STRATEGIC PLAN LINKAGES

This report links to Newmarket's key strategic directions in being Well Managed through fiscal responsibility.

CONSULTATION

As noted above, consultation has taken place with the business community, the Chamber of Commerce, the Main Street District Business Improvement Area, past rebate applicants, municipal associations, and other municipalities within and outside of York Region.

HUMAN RESOURCE CONSIDERATIONS

Not applicable to this report.

BUDGET IMPACT

Operating Budget (Current and Future)

The Town will realize a reduction in the provision for tax adjustments of approximately \$113,000 per year, every year starting in 2019 which will primarily benefit the residential class.

Capital Budget

There is no impact to the Capital Budget.

CONTACT

For more information on this report, contact: Grace Marsh at 905-953-5300. Ext 2143 or via e-mail at gmarsh@newmarket.ca or Mike Mayes at 905-953-5300, ext. 2102 or via e-mail at mmayes@newmarket.ca

Grace L. Marsh, CMTP, CMM III
Supervisor, Property Tax & Assessment

Mike Mayes, CPA, CGA, DPA
Director, Financial Services/Treasurer

Esther Armchuk, LL.B.
Commissioner, Corporate Services

GM/Im
Attachments(s):

- a) Corporate Services Report-Financial Services 2017-08



Town of Newmarket
COUNCIL EXTRACT

Extract from the Minutes of the Council
Meeting held on October 23, 2017

2. Committee of the Whole Meeting Minutes of October 16, 2017

Moved by: Councillor Broome
Seconded by: Councillor Kerwin

(11) Property Tax Rebate Program for Vacant Commercial or Industrial Units

1. That Corporate Services Report – Financial Services 2017-43 dated October 16, 2017 regarding the existing property tax rebate program for commercial or industrial units be received and the following recommendation be adopted:
 - a. That Council endorse the phase-out of the Vacant Unit Property Tax Rebate program effective for tax year 2018; and,
 - b. That the Regional Municipality of York accepts this endorsement and proceeds to advise the Province of Ontario accordingly.

In Favour: Mayor Van Bynen, Deputy Mayor & Regional Councillor Taylor, Councillor Vegh, Councillor Kerwin, Councillor Twinney, Councillor Hempen, Councillor Kwapis, Councillor Broome, Councillor Bisanz

Opposed: None
(9 in favour, 0 opposed)

Carried

Wayne Emmerson
Chairman and CEO



The Regional Municipality of York
17250 Yonge Street
Newmarket, Ontario L3Y 6Z1
Tel: 905-895-1231
email: wayne.emmerson@york.ca

December 20, 2017

Via Email Charles.sousa@ontario.ca

The Honourable Charles Sousa,
Minister of Finance
7th Floor, Frost Building South
7 Queen's Park Crescent
Toronto, ON M7A 1Y7

Dear Minister,

Re: Elimination of Vacant Unit Rebate Program

I am writing to request that necessary regulatory changes(s) be made to allow the Regional Municipality of York and its nine local municipalities to eliminate the vacant unit rebate program starting in the 2018 taxation year.

In York Region, the administration of vacant unit rebate is under local municipal purview, while the Regional government oversees issues of property tax policy. Regional staff worked closely with their local municipal counterparts to achieve a policy position to eliminate the vacant unit rebate program, which was adopted by Regional Council.

Between May 30, 2017 and July 13, 2017, local municipalities in York Region hosted four consultation sessions with local businesses. These were open house sessions where municipal staff discussed the impacts of eliminating the vacant unit rebate, how changes would be administered and sought input from participants. Regional staff attended all consultation sessions as an observer.

In addition to the consultation sessions, York Region municipalities conducted an online survey to seek feedback from a broader field of stakeholders. The online survey was posted on websites of local municipalities for roughly two months and was also made available at the local municipal offices.

Please find enclosed the York Regional Council report extract indicating Council's approval for the elimination of the vacant unit rebate program.

We trust that the Region's Council resolution and the work that the Region and its local municipalities have done satisfies the Ministry's requirements for a regulation to enable the Region's municipalities to eliminate the vacant unit program.

Sincerely,

A handwritten signature in black ink that reads "Wayne Emmerson". The signature is written in a cursive style with a large, stylized initial "W".

Wayne Emmerson
York Region Chairman and CEO

Attachment

Copy to: Pat Vanini, Executive Director, Association of Municipalities of Ontario
Dan Cowin, Executive Director, Municipal Finance Officers' Association of Ontario
Bruce Macgregor, Chief Administrative Officer, York Region
Bill Hughes, Commissioner of Finance, York Region
Lina Bigioni, Chief of Staff