



REPORT FIN-2018-021

TO: Mayor and Members of Council

FROM: Mary Hasan, Director of Finance/Treasurer

DATE: April 4, 2018

SUBJECT: Vacant Unit Tax Rebate Program and Vacant and Excess Land Property Tax Subclass Reductions
File No. F22 TAX

RECOMMENDATIONS

That Report FIN-2018-021 regarding the Vacant Unit Tax Rebate Program and Vacant and Excess Land Property Tax Subclass Reductions be received; and

That Council direct staff to proceed with holding a Public Open House on May 2, 2018 at 7:00 p.m. in the Municipal Complex to obtain public input on the elimination of the Vacant Unit Tax Rebate Program and Vacant and Excess Land Property Tax Subclass Reductions as outlined in Report FIN-2018-021; and

That staff publish notice in the Wellington Advertiser and Township website to advise of the Public Open House; and

That staff report back to Council with feedback and recommendations following the consultation process.

DISCUSSION

Purpose

The purpose of this Report is to provide Council with the background and information on the Vacant Unit Tax Rebate Program and Vacant and Excess Land Property Tax Subclass Reductions that the Ministry of Finance has provided flexibility measures.

The Province has indicated an interest in continuing to ensure tax competitiveness and consistency for taxpayers which has resulted in enabling municipalities to consider optional flexibility measures. The Ministry of Finance's communications are attached as Schedule C and Schedule D to this Report.

Background

Vacant Unit Tax Rebate Program

Introduced in 1998, municipalities in Ontario have been required to participate in a Vacant Unit Tax Rebate Program that provides relief through a rebate of property taxes to owners of vacant commercial and industrial properties.

The Vacant Unit Tax Rebate Program is governed by Section 364 of the Municipal Act and Ontario Regulation 325/01.

Owners of commercial properties may apply for a 30% rebate, while industrial properties may apply for a 35% rebate of the property taxes attributable to the vacant space. Rebates are shared between the Township, County of Wellington (County), and School Boards.

This mandatory program was developed when provincial tax reform shifted business taxation from tenants to property owners. The program was intended to assist property owners in times of economic downturn who now assumed tax liability whether or not their property was tenanted.

Vacant and Excess Land Property Tax Subclass

Commercial and industrial properties or portions of these properties in the Vacant and Excess Land Property Tax Subclasses are taxed at a fixed percentage rate below the tax rate of the broad class. These properties are discounted at 30% to 35% of the full Commercial and/or Industrial rates.

Currently, upper and single-tier municipalities may choose to apply the same percentage of relief (between 30% to 35%) to both the commercial and industrial property classes.

New Municipal Flexibility Options

Vacant Unit Tax Rebate Program

Amendments to the Municipal Act through Ontario Regulation 581/17 allow municipalities to make changes to their Vacant Unit Tax Rebate Program after consulting the local business community. The intent is to allow municipalities to decide at the local level the future of the Vacant Unit Tax Rebate Program instead of applying a prescribed program across the Province.

The deadline to submit a notification to the Ministry of Finance for changes effective for the 2018 taxation year is August 1, 2018.

The changes to the Vacant Unit Tax Rebate Program are implemented through Ontario Regulation 581/17 attached as Schedule A to this Report.

It is the responsibility of the upper-tier to apply to the Province to make changes to the program. The County has decided to continue to allow each member municipality the flexibility to administer the program to best fit local needs as outlined in the County's report dated March 20, 2018 and attached as Schedule B to this Report.

The Town of Erin, Town of Minto and Township of Wellington North have incorporated their Vacant Unit Tax Rebate Program as part of their Community Improvement Plan. The remaining lower tiers in the County are in the process of considering the elimination of the program.

A. In accordance with Ontario Regulation 581/17, the following municipalities have opted to not have a Vacant Unit Tax Rebate Program effective 2017 taxation year and subsequent taxation years:

- The Town of Parry Sound
- The City of Peterborough
- The Municipality of Charlton and Dack
- The County of Prince Edward
- The City of Brantford
- The Village of Burk's Falls
- The Town of Thessalon

B. In accordance with Ontario Regulation 581/17, the following municipalities have opted to not have a Vacant Unit Tax Rebate Program effective 2018 taxation year and subsequent taxation years:

- City of Orillia
- The Town of Espanola
- Haldimand County – Industrial property classes
- Town of Prescott
- City of Kawartha Lakes
- City of Ottawa

C. In accordance with Ontario Regulation 581/17, the following municipalities have opted to not have a Vacant Unit Tax Rebate Program effective 2019 taxation year and subsequent taxation years:

- Town of Gananoque
- Lower tier municipalities of the Regional Municipality of Halton
- City of Hamilton
- Haldimand County – Commercial or Landfill property classes

D. In accordance with Ontario Regulation 581/17, the following municipalities have opted to not have a Vacant Unit Tax Rebate Program effective 2020 taxation year and subsequent taxation years:

- Town of St. Marys
- Township of Plummer Additional
- City of Cornwall
- Lower tier municipalities of the Regional Municipality of Peel

Vacant Unit Tax Rebate Program – Options for Consideration

In reviewing the future of the Vacant Unit Tax Rebate Program and considering how other municipalities have proceeded, outlined below are four options including their benefits and drawbacks for Council's consideration:

1. Continue with the current Vacant Unit Tax Rebate Program

Benefits

- Rebate funding remains available

Drawbacks

- Allows for the duplication of tax reductions as vacancy is presently accounted for in MPAC's valuation assessment of large manufacturing or distribution/storage type facilities. The income approach to value properties considers income, expenses, vacancy and structural obsolescence.
- Fiscal and time requirements to administer the program (both MPAC and municipal staff).
- Municipal and MPAC staff focus time on rebate instead of maintaining and growing assessment base
- Disparity remains between residential properties who fund the rebate but are not eligible
- Does not promote tax equity – provides a rebate to a small portion of the assessment base
- Provides a financial incentive for properties to remain vacant

2. Eliminate the Vacant Unit Tax Rebate Program effective the 2018 taxation year

Benefits

- Eliminates the duplication of tax reductions as vacancy is presently accounted for in MPAC's valuation assessment of large manufacturing or distribution/storage type facilities. The income approach to value properties considers income, expenses, vacancy and structural obsolescence.

- Eliminates the disparity with residential properties
- Promotes tax equity – all properties pay annual taxes based on current value assessment
- Promotes healthy communities – reduces vacancies and derelict buildings
- Encourages landlords to best utilize their properties
- Net property tax amounts for all property owners would decrease
- Eliminates the administration costs associated with this program
- Municipal and MPAC staff have more time to focus on building and maintaining the assessment base

Drawbacks

- Property owners who receive the rebate will no longer receive this funding

3. Phase out the program and eliminate effective the 2019 taxation year

Benefits

- Rebate funding remains available for the phase out period
- Allows those who take advantage of the rebate program to adjust accordingly during the phase out period

Drawbacks

- Allows for the duplication of tax reductions as vacancy is presently accounted for in MPAC's valuation assessment of large manufacturing or distribution/storage type facilities. The income approach to value properties considers income, expenses, vacancy and structural obsolescence.
- Fiscal and time requirements to administer the program.
- Municipal and MPAC staff focus time on rebate instead of maintaining and growing assessment base
- Disparity remains between residential properties who fund the rebate but are not eligible
- Does not promote tax equity – provides a rebate to a small portion of the Township's assessment base
- Provides a financial incentive for properties to remain vacant

4. Continue with the Vacant Unit Tax Rebate Program and redefine the eligibility criteria and target unique local business areas

Benefits

- Rebate funding remains available

Drawbacks

- Allows for the duplication of tax reductions as vacancy is presently accounted for in MPAC's valuation assessment of large manufacturing or distribution/storage type facilities. The income approach to value properties considers income, expenses, vacancy and structural obsolescence.
- Fiscal and time requirements to administer the program.
- May increase time requirements to administer as more due diligence is required
- Municipal and MPAC staff focus time on rebate instead of maintaining and growing assessment base
- Disparity remains between residential properties who fund the rebate but are not eligible
- Does not promote tax equity – provides a rebate to a small portion of the assessment base
- Provides a financial incentive for properties to remain vacant

Vacant and Excess Land Property Tax Subclass

As indicated in the County's report dated March 20, 2018 and attached as Schedule B to this Report, in order to implement changes to the vacant and excess land property tax subclasses, the local business community needs to be consulted.

In discussions at the County Treasurers Meeting (attendees include treasurers and tax administrators from the County and the lower tiers), there was general support for the elimination of the Vacant and Excess Land Property Tax Subclass tax reductions for the 2019 taxation year pending consultation with the local business community.

- the Township of Wellington North passed Council Resolution No. 2018-030 which supported the elimination of the Vacant and Excess Land Property Tax Subclass tax reductions beginning with the calendar year 2018. This resolution was approved after consultation with the local business community including the local chambers.
- The Town of Minto has consulted with the Economic Development Committee which includes representatives from the local business community and the Chamber of Commerce. No concerns have been raised by the local business community regarding the potential changes to the Vacant and Excess Land Property Tax Subclass tax reductions.
- The remaining lower tiers in the County are in the process of considering the elimination of the program.

FINANCIAL IMPLICATIONS

Vacant Unit Tax Rebate Program

The additional taxation revenue associated with eliminating the Vacant Unit Tax Rebate Program is outlined below:

Taxation Year	No. of Applicants	Township	County	Education	Total
2016	2	\$364	\$1,406	\$1,368	\$3,138
2017	2	\$377	\$1,453	\$1,315	\$3,145

Please note that the above two applicants have obtained the Vacant Unit Tax Rebate for three or more consecutive years.

Applications have a deadline of the last day in February in the year following the previous taxation year. Therefore, for the 2018 taxation year, the deadline for completing an application is February 28, 2019.

Please note, the Township has implemented programs to encourage development through the creation of the Community Improvement Plan in 2016 which provides financial grants to businesses that meet the eligibility criteria.

Vacant and Excess Land Property Tax Subclass

The additional estimated 2018 taxation revenue associated with no longer providing tax reductions for commercial and industrial properties or portions of these properties in the Vacant and Excess Land Property Tax Subclasses are outlined below and were obtained from the County's report attached as Schedule B to this Report:

Description	Township	County	Total
Additional taxation revenue	\$17,968	\$70,617	\$88,585

APPLICABLE LEGISLATION AND REQUIREMENTS

Ontario Regulation 581/17
 Ontario Regulation 325/01
 Section 364 of the Municipal Act

ATTACHMENTS

Schedule A: Ontario Regulation 581/17

Schedule B: County of Wellington Report dated March 20, 2018 - Vacant Unit Rebate and Vacant and Excess Land Discount Policies

Schedule C: Ministry of Finance – Communication on Vacant Unit Rebate and Vacant/Excess Land Subclasses – January 2017

Schedule D: Ministry of Finance – Communication on Additional Tax Flexibility Options – December 2017

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O. REG. 581/17: TAX MATTERS - ELIGIBLE PROPERTY UNDER SECTION 364 OF THE ACT AND LAND PRESCRIBED UNDER SUBSECTION 357 (1.1) OF THE ACT



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ONTARIO REGULATION 581/17

made under the

MUNICIPAL ACT, 2001

Made: December 20, 2017

Filed: December 21, 2017

Published on e-Laws: December 21, 2017

Printed in The Ontario Gazette: January 6, 2018

AMENDING O. REG. 325/01

(TAX MATTERS - ELIGIBLE PROPERTY UNDER SECTION 364 OF THE ACT AND LAND PRESCRIBED UNDER SUBSECTION 357 (1.1) OF THE ACT)

1. The title to Ontario Regulation 325/01 is revoked and the following substituted:

TAX MATTERS - VACANT UNIT REBATE

2. Section 1 of the Regulation is amended by adding the following subsection:

(0.1) In the event of a conflict between this section and a section of this Regulation that sets out an exemption or special rule with respect to eligible property in a specified municipality, the section that sets out the exemption or special rule prevails.

3. Section 7 of the Regulation is amended by adding the following subsection:

(2.1) Despite subsection (2), for the 2017 taxation year, no interest is payable under subsection 364 (20) of the Act in respect of a rebate under an interim application to any of the following municipalities until April 30, 2018:

1. The City of Brockville.
2. The City of Cornwall.
3. The City of Kawartha Lakes.
4. Any local municipality in the Regional Municipality of Peel.

5. The City of Sault Ste. Marie.
6. The Town of Erin.
7. The Town of Minto.
8. The Township of Wellington North.
9. The City of Windsor.
10. The Town of Fort Frances.
11. The Town of Espanola.
12. The Township of Plummer Additional.
13. The Town of Prescott.

4. The Regulation is amended by adding the following sections:

EXCEPTIONS AND SPECIAL RULES, SPECIFIED MUNICIPALITIES

Exceptions under s. 364 (1) of the Act, 2017 and subsequent years

11. For the 2017 taxation year and subsequent taxation years, the following municipalities are not required to have a program to provide tax rebates to owners of property that has vacant portions:

1. The Town of Parry Sound.
2. The City of Peterborough.
3. The Municipality of Charlton and Dack.
4. The County of Prince Edward.
5. The City of Brantford.
6. The Village of Burk's Falls.
7. The Town of Thessalon.

City of Orillia

12. For the 2018 taxation year and subsequent taxation years, the City of Orillia is not required to have a program to provide tax rebates to owners of property that has vacant portions.

Town of Fort Frances

13. (1) This section applies with respect to the Town of Fort Frances.

(2) For the purposes of paragraph 3 of subsection 364 (2) of the Act, the prescribed rebate percentage for property that is classified in one of the industrial classes for the 2017 taxation year and subsequent taxation years is 30 per cent.

Town of Espanola

14. (1) This section applies with respect to the Town of Espanola.

(2) For the purposes of paragraphs 2, 3 and 3.1 of subsection 364 (2) of the Act, the prescribed rebate percentage for property that is classified in one of the commercial classes or industrial classes or in the landfill property class for the 2017 taxation year is 15 per cent.

(3) For the 2018 taxation year and subsequent taxation years, the Town of Espanola is not required to have a program to provide tax rebates to owners of property that has vacant portions.

Town of Gananoque

15. (1) This section applies with respect to the Town of Gananoque.

(2) For the purposes of paragraphs 2 and 3.1 of subsection 364 (2) of the Act, the prescribed rebate percentage for property that is classified in one of the commercial classes or in the landfill property class for the 2018 taxation year is 15 per cent.

(3) For the purposes of paragraph 3 of subsection 364 (2) of the Act, the prescribed rebate percentage for property that is classified in one of the industrial classes for the 2018 taxation year is 17.5 per cent.

(4) For the 2019 taxation year and subsequent taxation years, the Town of Gananoque is not required to have a program to provide tax rebates to owners of property that has vacant portions.

Regional Municipality of Halton

16. (1) This section applies with respect to the lower-tier municipalities in the Regional Municipality of Halton.

(2) For the purposes of paragraphs 2 and 3.1 of subsection 364 (2) of the Act, the prescribed rebate percentage for property that is classified in one of the commercial classes or in the landfill property class for the 2018 taxation year is 15 per cent.

(3) For the purposes of paragraph 3 of subsection 364 (2) of the Act, the prescribed rebate percentage for property that is classified in one of the industrial classes for the 2018 taxation year is 20 per cent.

(4) For the 2019 taxation year and subsequent taxation years, the lower-tier municipalities in the Regional Municipality of Halton are not required to have a program to provide tax rebates to owners of property that has vacant portions.

City of Hamilton

17. (1) This section applies with respect to the City of Hamilton.

(2) For the purposes of paragraphs 2, 3 and 3.1 of subsection 364 (2) of the Act, the prescribed rebate percentage for property that is classified in one of the commercial classes or industrial classes or in the landfill property class for the 2018 taxation year is 15 per cent.

(3) For the 2019 taxation year and subsequent taxation years, the City of Hamilton is not required to have a program to provide tax rebates to owners of property that has vacant portions.

Haldimand County

18. (1) This section applies with respect to Haldimand County.

(2) For the purposes of paragraphs 2 and 3.1 of subsection 364 (2) of the Act, the prescribed rebate percentage for property that is classified in one of the commercial classes or in the landfill property class for the 2018 taxation year is 15 per cent.

(3) For the 2018 taxation year and subsequent taxation years, Haldimand County is not required to have a program to provide tax rebates to owners of property that is classified in one of the industrial classes that has vacant portions.

(4) For the 2019 taxation year and subsequent taxation years, Haldimand County is not required to have a program to provide tax rebates to owners of property that is classified in one of the commercial classes or in the landfill property class that has vacant portions.

Town of St. Marys

19. (1) This section applies with respect to the Town of St. Marys.

(2) For the purposes of paragraphs 2, 3 and 3.1 of subsection 364 (2) of the Act, the prescribed rebate percentage for property that is classified in one of the commercial classes or industrial classes or in the landfill property class is,

(a) for the 2018 taxation year, 20 per cent; and

(b) for the 2019 taxation year, 10 per cent.

(3) For the 2020 taxation year and subsequent taxation years, the Town of St. Marys is not required to have a program to provide tax rebates to owners of property that has vacant portions.

County of Oxford

20. (1) This section applies with respect to local municipalities in the County of Oxford for the 2018 taxation year and subsequent taxation years.

(2) No rebate is payable under section 364 of the Act for a taxation year in respect of a building, structure or portion of a building if the municipality paid or credited a rebate in respect of the building, structure or portion, as the case may be, for any five previous taxation years.

Township of Plummer Additional

21. (1) This section applies with respect to the Township of Plummer Additional.

(2) For the purposes of paragraphs 2, 3 and 3.1 of subsection 364 (2) of the Act, the prescribed rebate percentage for property that is classified in one of the commercial classes or industrial classes or in the landfill property class is,

(a) for the 2017 taxation year, 30 per cent;

(b) for the 2018 taxation year, 20 per cent; and

(c) for the 2019 taxation year, 10 per cent.

(3) For the 2020 taxation year and subsequent taxation years, the Township of Plummer Additional is not required to have a program to provide tax rebates to owners of property that has vacant portions.

Town of Prescott

22. (1) This section applies with respect to the Town of Prescott.

(2) For the purposes of paragraphs 2, 3 and 3.1 of subsection 364 (2) of the Act, the prescribed rebate percentage for property that is classified in one of the commercial classes or industrial classes or in the landfill property class for the 2017 taxation year is 15 per cent.

(3) For the 2018 taxation year and subsequent taxation years, the Town of Prescott is not required to have a program to provide tax rebates to owners of property that has vacant portions.

City of Brockville

23. (1) This section applies with respect to the City of Brockville for the 2018 taxation year and subsequent taxation years.

(2) No rebate is payable under section 364 of the Act for a taxation year in respect of a building, structure or portion of a building if both of the following circumstances exist:

1. A rebate has been paid or credited under section 364 of the Act in respect of the building, structure or portion, as the case may be, in respect of both of the two preceding taxation years.
 2. For the purposes of paragraph 4 of subsection 2 (2) of this Regulation, the building, structure or portion, as the case may be, was determined to be an eligible property for 100 per cent of the two preceding taxation years.
- (3) Subsection (2) does not apply to a building or structure or portion of a building for a taxation year if the building, structure or portion, as the case may be,
- (a) was occupied for a period of time during the taxation year; or
 - (b) changed ownership during that taxation year or the two preceding taxation years.
- (4) If both of the conditions set out in subsection (5) are met, but subject to subsection (6), the prescribed rebate percentage for the purposes of paragraphs 2, 3 and 3.1 of subsection 364 (2) of the Act for a building or structure or portion of a building for a taxation year is equal to half of the rebate percentage that would otherwise apply under those paragraphs.

(5) The conditions mentioned in subsection (4) are the following:

1. A rebate has been paid or credited under section 364 of the Act in respect of the building, structure or portion, as the case may be, in respect of the preceding taxation year.
 2. For the purposes of paragraph 4 of subsection 2 (2) of this Regulation, the building, structure or portion, as the case may be, was determined to be an eligible property for 100 per cent of the preceding taxation year.
- (6) Subsection (4) does not apply to a building or structure or portion of a building for a taxation year if the building, structure or portion, as the case may be,
- (a) was occupied for a period of time during the taxation year; or
 - (b) changed ownership during that taxation year or the preceding taxation year.

City of Cornwall

24. (1) This section applies with respect to the City of Cornwall for the 2017 taxation year and subsequent taxation years.

(2) For the purposes of paragraphs 2, 3 and 3.1 of subsection 364 (2) of the Act, the prescribed rebate percentage for property that is classified in one of the commercial classes or industrial classes or in the landfill property class is,

- (a) for the 2017 taxation year, 25 per cent;
- (b) for the 2018 taxation year, 20 per cent; and
- (c) for the 2019 taxation year, 10 per cent.

(3) For the purposes of section 1, a reference to a period of at least 90 consecutive days shall be read as a reference to a period of at least 90 consecutive days all of which are within the taxation year in respect of which the application for a rebate under section 364 of the Act is made.

(4) Despite subsections 1 (1), (2) and (3), a building, structure or portion of a building is not prescribed to be an eligible property under section 364 of the Act for a period of time if, throughout the period of time,

- (a) the direct and immediate cause of the building, structure or portion of the building not being used was a strike within the meaning of the *Labour Relations Act, 1995* or a lock-out within the meaning of that Act; or
- (b) an order issued in respect of the building, structure or portion of the building under any of the laws listed in subsection (5)

was outstanding.

(5) The laws mentioned in clause (4) (b) are the following:

1. The *Building Code Act, 1992* and the regulations and by-laws made under it.
2. The *Fire Protection and Prevention Act, 1997* and the regulations and by-laws made under it.

(6) Despite clauses 1 (2) (a) and (3) (b), a portion of a building is not prescribed to be an eligible property under section 364 of the Act for a period of time unless, throughout the period of time, the portion of the building was separated by permanent or semi-permanent physical barriers from any portion of the building that was used.

(7) Despite subsections 1 (1), (2) and (3), a building, structure or portion of a building is not prescribed to be an eligible property under section 364 of the Act for a period of time unless, throughout the period of time, the building, structure or portion, as the case may be, was capable of being leased for immediate occupation and was advertised for lease as such.

(8) A portion of a building on property that is classified in one of the commercial classes or in the landfill property class is prescribed to be an eligible property for a period of time if,

- (a) it satisfies the requirements in subsection 1 (2) to be an eligible property;
- (b) it is not excluded from being an eligible property under subsection (4), (6) or (7); and
- (c) throughout the period of time, it satisfied the requirements for obtaining an occupancy permit set out in Division C of Ontario Regulation 332/12 (Building Code) made under the *Building Code Act, 1992*.

(9) A portion of a building on property that is classified in one of the industrial classes is prescribed to be an eligible property for a period of time if,

- (a) it satisfies the requirements in subsection 1 (3) to be an eligible property;
- (b) it is not excluded from being an eligible property under subsection (4), (6) or (7); and
- (c) throughout the period of time, it satisfied the requirements for obtaining an occupancy permit set out in Division C of Ontario Regulation 332/12.

(10) No rebate is payable under section 364 of the Act for a taxation year in respect of a property for a period of time if,

- (a) on the final day on which an application can be made for a rebate of tax under section 364 of the Act in respect of the period of time, any orders made under subsection 15.2 (2) of the *Building Code Act, 1992* that apply to a building or structure on the property remain outstanding; or
- (b) an application submitted with respect to the property for the period of time contains a false or deceptive statement.

(11) Despite section 7, interest is payable under subsection 364 (20) of the Act for the 2018 taxation year and subsequent taxation years in respect of a rebate under an interim application for the first six months of the taxation year if,

- (a) the interim application is received on or before July 31 of the taxation year to which the rebate relates; and
- (b) the City of Cornwall fails to pay or credit the owner the amount of the rebate to which the owner is entitled by the latest of,
 - (i) November 30 of the taxation year to which the rebate relates,
 - (ii) the day that is 120 days after the day the owner provides the information required under subsection 3 (1), and
 - (iii) the day that is 90 days after the day the City of Cornwall receives the determination of the value of the eligible property for the year from the assessment corporation.

(12) Despite section 7, interest is payable under subsection 364 (20) of the Act for the 2018 taxation year and subsequent taxation years in respect of a rebate under a final application for a taxation year if,

- (a) the final application is received on or before the last day of February of the year immediately following the taxation year to which the rebate relates; and
- (b) the City of Cornwall fails to pay or credit the owner the amount of the rebate to which the owner is entitled by the latest of,
 - (i) June 30 of the year immediately following the taxation year to which the rebate relates,
 - (ii) the day that is 120 days after the day the owner provides the information required under subsection 3 (1), and
 - (iii) the day that is 90 days after the day the City of Cornwall receives the determination of the value of the eligible property for the year from the assessment corporation.

(13) For the purposes of subsection 364 (6) of the Act, the prescribed time for giving free access to all property referred to in an application is 30 days after a reasonable request by the City of Cornwall.

(14) No rebate is payable under section 364 of the Act for a taxation year in respect of a property if a person who is required to grant free access to the property fails to do so within the time set out in subsection (13).

(15) For the 2020 taxation year and subsequent taxation years, the City of Cornwall is not required to have a program to provide tax rebates to owners of property that has vacant portions.

City of Kawartha Lakes

25. (1) This section applies with respect to the City of Kawartha Lakes for the 2017 taxation year and subsequent taxation years.

(2) Despite subsections 1 (1), (2) and (3), a building, structure or portion of a building is not prescribed to be an eligible property under section 364 of the Act for a period of time if, throughout the period of time,

- (a) the direct and immediate cause of the building, structure or portion of the building not being used was a strike within the meaning of the *Labour Relations Act, 1995* or a lock-out within the meaning of that Act; or
- (b) an order issued in respect of the building, structure or portion of the building under any of the laws listed in subsection (3) was outstanding.

(3) The laws mentioned in clause (2) (b) are the following:

- 1. The *Building Code Act, 1992* and the regulations and by-laws made under it.
- 2. The *Fire Protection and Prevention Act, 1997* and the regulations and by-laws made under it.

(4) A portion of a building is prescribed to be an eligible property for a period of time if,

- (a) it satisfies the requirements in section 1 to be an eligible property;
- (b) it is not excluded from being an eligible property under subsection (2); and
- (c) throughout the period of time, the portion of the building was no less than 1,000 contiguous square feet.

(5) No rebate is payable under section 364 of the Act for a taxation year in respect of a property for a period of time if, on the final day on which an application can be made for a rebate of tax under section 364 of the Act in respect of the period of time, any orders made under subsection 15.2 (2) of the *Building Code Act, 1992* that apply to a building or structure on the property remain outstanding.

(6) For the 2018 taxation year and subsequent taxation years, the City of Kawartha Lakes is not required to have a program to provide tax rebates to owners of property that has vacant portions.

City of Ottawa

26. (1) This section applies with respect to the City of Ottawa for the 2017 taxation year and subsequent taxation years.

(2) For the purposes of paragraphs 2, 3 and 3.1 of subsection 364 (2) of the Act, the prescribed rebate percentage for property that is classified in one of the commercial classes or industrial classes or in the landfill property class for the 2017 taxation year is 15 per cent.

(3) For the purposes of paragraph 5 of subsection 364 (2) of the Act, the date by which an application shall be made is March 31 in the year following the taxation year in respect of which the application is made.

(4) The City of Ottawa is exempt from paragraph 7 of subsection 364 (2) of the Act.

(5) For the purposes of section 1, a reference to a period of at least 90 consecutive days shall be read as a reference to a period of at least 90 consecutive days all of which are within the taxation year in respect of which the application for a rebate under section 364 of the Act is made.

(6) Despite subsections 1 (1), (2) and (3), a building, structure or portion of a building is not prescribed to be an eligible property under section 364 of the Act for a period of time if, throughout the period of time,

(a) the direct and immediate cause of the building, structure or portion of the building not being used was a strike within the meaning of the *Labour Relations Act, 1995* or a lock-out within the meaning of that Act; or

(b) an order issued in respect of the building, structure or portion of the building under any of the laws listed in subsection (7) was outstanding.

(7) The laws mentioned in clause (6) (b) are the following:

1. The *Building Code Act, 1992* and the regulations and by-laws made under it.

2. The *Fire Protection and Prevention Act, 1997* and the regulations and by-laws made under it.

3. The *Planning Act* and the regulations made under it.

4. A by-law passed by the City of Ottawa under section 128 of the Act.

(8) A portion of a building is not prescribed to be an eligible property under section 364 of the Act for a period of time unless, throughout the period of time,

(a) the portion of the building was separated by permanent or semi-permanent physical barriers from any portion of the building that was used, despite clauses 1 (2) (a) and (3) (b);

(b) the portion of the building satisfied the requirements for obtaining an occupancy permit set out in Division C of Ontario Regulation 332/12 (Building Code) made under the *Building Code Act, 1992*; and

(c) the portion of the building was no less than 1,000 contiguous square feet.

(9) A portion of a building on property that is classified in one of the industrial classes is prescribed to be an eligible property for a period of time if,

(a) it satisfies the requirements in subsection 1 (3) to be an eligible property;

(b) it is not excluded from being an eligible property under subsection (6) or (8); and

(c) throughout the period of time, it was,

(i) capable of being leased for immediate occupation,

(ii) capable of being leased but not for immediate occupation because it was in need of or undergoing repairs or renovations or was under construction, or

(iii) unfit for occupation.

(10) For the purposes of subsection 364 (6) of the Act, the prescribed time for giving free access to all property referred to in an application is 30 days after a reasonable request by the City of Ottawa.

(11) No rebate is payable under section 364 of the Act for a taxation year in respect of a property if a person who is required to grant free access to the property fails to do so within the time set out in subsection (10).

(12) No rebate is payable under section 364 of the Act for a taxation year in respect of a property for a period of time if,

(a) on the final day on which an application can be made for a rebate of tax under section 364 of the Act in respect of the period of time, any orders made under subsection 15.2 (2) of the *Building Code Act, 1992* that apply to a building or structure on the property remain outstanding; or

(b) an application submitted with respect to the property for the period of time contains a false or deceptive statement.

(13) Despite section 7, interest is payable under subsection 364 (20) of the Act in respect of an application for a rebate for a taxation year if,

(a) the application is received on or before March 31 of the year immediately following the taxation year to which the rebate relates; and

(b) the City of Ottawa fails to pay or credit the owner the amount of the rebate to which the owner is entitled by the latest of,

(i) July 31 of the taxation year immediately following the taxation year to which the rebate relates,

(ii) the day that is 120 days after the day the owner provides the information required under subsection 3 (1), and

(iii) the day that is 60 days after the day the City of Ottawa receives the determination of the value of the eligible property for the year from the assessment corporation.

(14) For the 2018 taxation year and subsequent taxation years, the City of Ottawa is not required to have a program to provide tax rebates to owners of property that has vacant portions.

Regional Municipality of Peel

27. (1) This section applies with respect to the lower-tier municipalities in the Regional Municipality of Peel for the 2017 taxation year and subsequent taxation years.

(2) For the purposes of paragraphs 2, 3 and 3.1 of subsection 364 (2) of the Act, the prescribed rebate percentage for property that is classified in one of the commercial classes or industrial classes or in the landfill property class is,

(a) for the 2017 taxation year, 30 per cent;

(b) for the 2018 taxation year, 20 per cent; and

(c) for the 2019 taxation year, 10 per cent.

(3) No rebate is payable under section 364 of the Act for a taxation year in respect of a building, structure or portion of a building if the municipality paid or credited a rebate in respect of the building, structure or portion, as the case may be, for any three or more consecutive taxation years before the taxation year in respect of which the application is made.

(4) Despite subsections 1 (1), (2) and (3), a building, structure or portion of a building is not prescribed to be an eligible property under section 364 of the Act for a period of time if, throughout the period of time,

(a) the building or structure or portion of a building,

- (i) included non-permanent structures,
- (ii) was a storage unit or was used for storage purposes,
- (iii) was a hotel,
- (iv) was a fuel storage tank, or
- (v) was a gravel pit;

(b) the direct and immediate cause of the building, structure or portion of the building not being used was a strike within the meaning of the *Labour Relations Act, 1995* or a lock-out within the meaning of that Act; or

(c) the building, structure or portion of the building was accessible to a tenant before the commencement of a lease if the access was for the purpose of building out or constructing leasehold improvements.

(5) For the purposes of subsection 364 (8) of the Act, the prescribed time for providing relevant information or producing relevant records is 30 days after the date the letter is mailed, personally served or delivered by courier, as the case may be.

(6) No rebate is payable under section 364 of the Act for a taxation year in respect of a property if a person who receives a letter described in subsection 364 (8) of the Act fails to provide the information or records to the municipality within the time set out in subsection (5).

(7) For the 2020 taxation year and subsequent taxation years, the lower-tier municipalities in the Regional Municipality of Peel are not required to have a program to provide tax rebates to owners of property that has vacant portions.

City of Sault Ste. Marie

28. (1) This section applies with respect to the City of Sault Ste. Marie for the portion of the 2017 taxation year beginning on July 1, 2017 and for the 2018 taxation year and subsequent taxation years.

(2) The City of Sault Ste. Marie is exempt from paragraph 7 of subsection 364 (2) of the Act for the 2018 taxation year and subsequent taxation years.

(3) No rebate is payable under section 364 of the Act for a taxation year in respect of a building, structure or portion of a building if the City of Sault Ste. Marie paid or credited a rebate under that section in respect of the building, structure or portion, as the case may be, in respect of any three previous taxation years the earlier of which was,

(a) 2017; or

(b) the year that is nine years before the taxation year in respect of which the application is made, if that year is later than 2017.

(4) Despite subsections 1 (1), (2) and (3), a building, structure or portion of a building is not prescribed to be an eligible property under section 364 of the Act if it is located on land that is classified in,

- (a) the shopping centre property class as described in section 12 of Ontario Regulation 282/98 (General) made under the *Assessment Act*; or
- (b) one of the industrial classes.

(5) Despite any requirement in subsection 1 (1) or (2) that a building, structure or portion of a building must not be used in order to be eligible property, the temporary use of a building, structure or portion of a building does not disqualify the building, structure or portion, as the case may be, from being eligible property in a taxation year if,

- (a) the City of Sault Ste. Marie has passed a by-law respecting the provision of tax rebates to owners of property that has been temporarily used;
- (b) the by-law is passed on or before January 31 in the year following the first taxation year to which it applies; and
- (c) the by-law contains the maximum time that a building, structure or portion of a building may be temporarily used in order to be eligible for a rebate.

(6) A by-law referred to in subsection (5) may contain other requirements if they relate only to the type of property that may be temporarily used and the manner in which it may be temporarily used.

Town of Smiths Falls

29. (1) This section applies with respect to the Town of Smiths Falls for the 2017 taxation year and subsequent taxation years.

(2) The Town of Smiths Falls is exempt from paragraph 7 of subsection 364 (2) of the Act.

(3) For the purposes of section 1, a reference to a period of at least 90 consecutive days shall be read as a reference to a period of at least 90 consecutive days all of which are within the taxation year in respect of which the application for a rebate under section 364 of the Act is made.

(4) Despite subsections 1 (1), (2) and (3), a building, structure or portion of a building is not prescribed to be an eligible property under section 364 of the Act for a period of time if, during that period of time, an order issued in respect of the building, structure or portion of the building under any of the laws listed in subsection (5) was outstanding.

(5) The laws mentioned in subsection (4) are the following:

1. The *Building Code Act, 1992* and the regulations and by-laws made under it.
2. The *Fire Protection and Prevention Act, 1997* and the regulations and by-laws made under it.
3. The *Planning Act* and the regulations made under it.
4. A by-law passed by the Town of Smiths Falls under section 128 of the Act.

(6) Despite clauses 1 (2) (a) and (3) (b), a portion of a building is not prescribed to be an eligible property under section 364 of the Act for a period of time unless, throughout the period of time, the portion of the building was separated by permanent or semi-permanent physical barriers from any portion of the building that was used.

(7) A portion of a building on property that is classified in one of the industrial classes is prescribed to be an eligible property for a period of time if,

- (a) it satisfies the requirements in subsection 1 (3) to be an eligible property;
- (b) it is not excluded from being an eligible property under subsection (4) or (6); and

(c) throughout the period of time, it was capable of being leased for immediate occupation.

(8) Despite section 7, interest is payable under subsection 364 (20) of the Act in respect of an application for a rebate for a taxation year if,

(a) the application is received on or before the last day of February of the year immediately following the taxation year to which the rebate relates; and

(b) the Town of Smiths Falls fails to pay or credit the owner the amount of the rebate to which the owner is entitled by the latest of,

(i) June 30 of the year immediately following the taxation year to which the rebate relates,

(ii) the day that is 120 days after the day the owner provides the information required under subsection 3 (1), and

(iii) the day that is 90 days after the day the Town of Smiths Falls receives the determination of the value of the eligible property for the year from the assessment corporation.

(9) For the purposes of subsection 364 (6) of the Act, the prescribed time for giving free access to all property referred to in an application is 30 days after a reasonable request by the Town of Smiths Falls.

(10) No rebate is payable under section 364 of the Act for a taxation year in respect of a building, structure or portion of a building on property if,

(a) a person who is required to grant free access to the property fails to do so within the time set out in subsection (9); or

(b) a rebate has been paid or credited under section 364 of the Act in respect of the building, structure or portion, as the case may be,

(i) for each of the three taxation years preceding the taxation year, if the building, structure or portion is on property that is classified in one of the commercial classes or in the landfill property class, or

(ii) for each of the five taxation years preceding the taxation year, if the building, structure or portion is on property that is classified in one of the industrial classes.

(11) No rebate is payable under section 364 of the Act for a taxation year in respect of a property for a period of time if,

(a) on the final day on which an application can be made for a rebate of tax under section 364 of the Act in respect of the period of time, any orders made under subsection 15.2 (2) of the *Building Code Act, 1992* that apply to a building or structure on the property remain outstanding; or

(b) an application submitted with respect to the property for the period of time contains a false or deceptive statement.

(12) No rebate is payable under section 364 of the Act in respect of a portion of a building for a period of time unless the portion of the building was advertised for lease throughout the period of time.

Town of Erin

30. (1) This section applies with respect to the Town of Erin for the 2017 taxation year and subsequent taxation years.

(2) Despite subsections 1 (1), (2) and (3), a building, structure or portion of a building is not prescribed to be an eligible property under section 364 of the Act for a taxation year if,

(a) the building, structure or portion is located on property within a community improvement project area as defined in section 28 of the *Planning Act*; and

(b) the Town of Erin has made a grant or loan under subsection 28 (7) of the *Planning Act* with respect to the property in

respect of the taxation year.

Specified municipalities in the County of Wellington

31. (1) This section applies with respect to the following municipalities for the 2017 taxation year and subsequent taxation years:

1. The Town of Minto.
2. The Township of Wellington North.

(2) Even if a property that is classified in one of the commercial classes or in the landfill property class does not satisfy the requirements of clause 1 (2) (b), the property is prescribed to be an eligible property under section 364 of the Act if,

- (a) the property satisfies the other requirements in section 1 to be an eligible property;
- (b) the property is located within a community improvement project area as defined in section 28 of the *Planning Act*; and
- (c) the applicable municipality has made a grant or loan under subsection 28 (7) of the *Planning Act* with respect to the property.

(3) No rebate is payable under section 364 of the Act for a taxation year in respect of a building, structure or portion of a building if,

- (a) there are, in respect of the building, structure or portion, as the case may be, outstanding taxes for municipal or school purposes or outstanding municipal charges; or
- (b) the municipality paid or credited a rebate in respect of the building, structure or portion, as the case may be, in respect of any two previous taxation years the earlier of which was,
 - (i) 2017,
 - (ii) the year that is four years before the taxation year in respect of which the application is made, if that year is later than 2017, or
 - (iii) the most recent taxation year in which the property changed ownership, if that year is later than the year described in subclause (ii).

(4) No rebate is payable under section 364 of the Act in respect of a building, structure or portion of a building for a period of time unless the building, structure or portion, as the case may be, was advertised for lease or sale throughout the period of time.

(5) Despite any requirement in subsection 1 (1), (2) or (3) that a building, structure or portion of a building must not be used in order to be eligible property, the temporary use of a building, structure or portion of a building does not disqualify the building, structure or portion, as the case may be, from being eligible property in a taxation year if,

- (a) the applicable municipality has passed a by-law respecting the provision of tax rebates to owners of property that has been temporarily used;
- (b) the by-law is passed on or before January 31 in the year following the first taxation year to which it applies; and
- (c) the by-law contains the maximum time that a building, structure or portion of a building may be temporarily used in order to be eligible for a rebate.

(6) A by-law referred to in subsection (5) may contain other requirements if they relate only to the type of property that may be temporarily used and the manner in which it may be temporarily used.

City of Windsor, specified area

32. (1) This section applies with respect to the area in the City of Windsor that, as of January 1, 2017, was designated under section 204 of the Act as the Downtown Windsor Improvement Area in By-Law 5651, A By-Law to Designate an Area in the City of Windsor as an Improvement Area, available in the office of the City Clerk.

(2) A building, structure or portion of a building is not prescribed to be an eligible property under section 364 of the Act unless it is located on land that would be eligible to be included in the residual commercial property class, as described in subsection 13.1 (2) of Ontario Regulation 282/98 (General) made under the *Assessment Act*, if the council of the City of Windsor passed a by-law opting to have that class apply within the City of Windsor.

(3) No rebate under section 364 of the Act is payable for a taxation year in respect of a building, structure or portion of a building if the City of Windsor paid or credited a rebate in respect of the building, structure or portion, as the case may be, in respect of any two previous taxation years the earlier of which was,

(a) 2017;

(b) the year that is nine years before the taxation year in respect of which the application is made, if that year is later than 2017; or

(c) the most recent taxation year in which the property was classified in the commercial (new construction) property class as described in paragraph 1 of subsection 15 (2) of Ontario Regulation 400/98 (Tax Matters — Tax Rates for School Purposes) made under the *Education Act*, if that year is later than the year described in clause (b).

(4) Subject to subsection (5), for the purposes of paragraph 2 of subsection 364 (2) of the Act, the prescribed rebate percentage for a property for a taxation year is,

(a) 30 per cent; or

(b) 15 per cent, if the City of Windsor paid or credited a rebate in respect of the property for any year preceding the taxation year.

(5) Clause (4) (b) does not apply for a taxation year if,

(a) the preceding year referred to in that clause was more than nine years before the taxation year; or

(b) the property is classified in the commercial (new construction) property class as described in paragraph 1 of subsection 15 (2) of Ontario Regulation 400/98 in a taxation year following the preceding year referred to in clause (4) (b), unless the preceding year was more than nine years before the taxation year.

Commencement

5. (1) Subject to subsection (2), this Regulation comes into force on the day it is filed.

(2) Sections 2 to 4 are deemed to have come into force on January 1, 2017.

Made by:

Pris par :

Le ministre des Finances,

CHARLES SOUSA

Minister of Finance

Date made: December 20, 2017

Pris le : 20 décembre 2017

Français



COUNTY OF WELLINGTON

COMMITTEE REPORT

To: Chair and Members of the Administration, Finance and Human Resources Committee
From: Ken DeHart, County Treasurer
Date: Tuesday, March 20, 2018
Subject: **2018 Vacant Unit Rebate and Vacant and Excess Land Discount Policies**

Background:

Vacant Unit Rebates

In 2017 the Province provided municipalities with additional flexibility to tailor the vacant unit rebate and reduction programmes to reflect community needs and circumstances, while considering the interests of local businesses.

The programme applies to commercial and industrial buildings that were entirely vacant or where the building was partially vacant and the suite or unit (commercial) or portion of building (industrial) was unused and clearly delineated or physically separated from the used portions of the building. To apply for the rebate, the vacancy had to exist for at least 90 consecutive days.

The province now implements the rebate and reduction programmes through regulation. The County applies to the province to make changes to the programme, but the member municipalities have the ability to design and administer their own programme. Three of the County's municipalities made changes to their vacant unit programmes in 2017.

Adjustments to vacant unit eligibility criteria for the Towns of Erin and Minto and the Township of Wellington North were amended through Ontario Regulation 581/17 and became effective on January 1, 2017. The Townships of Centre Wellington, Guelph/Eramosa, Mapleton and Puslinch have not requested changes to the vacant unit rebate programme. In order to do so, an application accompanied by local council resolution must be filed by the County of Wellington to the Minister of Finance no later than August 1, 2018 to be effective for the 2018 taxation year. Once the regulation has been enacted each member municipality should cite the programme changes in local by-law.

Table One indicates the total number of rebate applications for 2017 by municipality and the amount of tax refunded. In total 40 applications have been processed as compared to 55 applications last year. Although the average rebate amount has increased from \$2,057 in 2016 to \$3,795, this is largely due to several years of applications for Jefferson Elora in Centre Wellington.

Vacant and Excess Land Property Tax Subclass

Commercial and industrial properties or portions of these properties in the Vacant and Excess Land Property Tax Subclasses are taxed at a fixed percentage rate below the tax rate of the broad class. These properties are discounted at 30% to 35% of the full Commercial and/or Industrial rate.

Currently, upper and single-tier municipalities may choose to apply the same percentage of relief (between 30% - 35%) to both the commercial and industrial property classes.

Table Two outlines the property tax impact of eliminating the current discounted rates (100% full tax). Tax impact ranges from \$2,652 for Mapleton's own purposes to a high of \$70,617 for County purposes from properties in Puslinch. Total additional undiscounted taxes of \$312,348 would be gained for municipal and County purposes.

In order to implement changes to the vacant and excess land property tax subclasses, the local business community needs to be consulted. The consultation of the vacant unit rebate programme for the Towns of Erin, Minto and Township of Wellington North took place with the respective chambers of commerce and economic development groups in 2017. The vacant and excess land discounts have yet to be discussed.

Additional tax impact studies for the vacant and excess land property tax subclass will be undertaken later this year. No change to the current vacant and excess land reduction is recommended for 2018 pending further consultation with member municipalities and business stakeholders.

Implementation

Municipalities wishing to utilize the flexibility available to them must submit details of proposed changes to the Minister along with a Council resolution by August 1, 2018 to ensure amendments are included in a regulation as soon as possible. Applications received after August 1, 2018 will not be implemented until the 2019 taxation year.

Municipalities will be notified when the regulation implementing the requested changes has been enacted. The Province has an interest in continuing to ensure tax competitiveness and consistency for taxpayers and as such, the Minister will consider proposed programme changes within this context.

Recommendation:

That County Council continue to allow each member municipality to administer and design their own vacant unit rebate policies; and

That County staff notify the Minister of Finance of intended changes to the vacant unit rebate programme for the County's member municipalities wishing to make changes by August 1, 2018; and

That no change is recommended to the vacant and excess land discounts for the 2018 taxation year; and

That the 2018 Vacant Unit Rebate and Vacant and Excess Land Discount Policies report be received for information.

Respectfully submitted,



Ken DeHart, CPA, CGA
County Treasurer

TABLE ONE

WELLINGTON COUNTY
2017 Vacant Unit Rebate Applications

	# applications	total tax rebate *
PUSLINCH	2	\$3,155
GUELPH/ERAMOSIA	5	\$8,711
ERIN	0	\$0
CENTRE WELLINGTON**	16	\$123,600
MAPLETON	1	\$0
MINTO	4	\$3,362
WELLINGTON NORTH	12	\$12,965
COUNTY-WIDE	40	\$151,793
AVERAGE REBATE		\$3,795

* Total tax rebate includes upper-tier, lower-tier and school board

** Centre Wellington includes several years of vacancy rebate for Jefferson Elora

WELLINGTON COUNTY

2018 Tax Impact - Excess and Vacant Land Reduction

Upper and Lower Tier Tax Totals

COMMERCIAL EXCESS AND VACANT LAND TAX SUMMARY (CU/CX)

2018 Taxes Current Policy	\$322,796	Total Commercial Properties	180*
2018 Taxes No Discount	\$461,137	Average Commercial Valuation	\$190,903
Tax Reduction (UT/LT)	-\$138,341		

INDUSTRIAL EXCESS AND VACANT LAND TAX SUMMARY (IU/IX)

2018 Taxes Current Policy	\$323,156	Total Industrial Properties	132**
2018 Taxes No Discount	\$497,163	Average Industrial Valuation	\$179,612
Tax Reduction (UT/LT)	-\$174,007		

EXCESS LAND TOTALS **-\$312,348**

EXCESS LAND PROPERTIES INCLUDE

* Commercial *	** Industrial **
Morguard and Pier Property x 2 (Puslinch Transx)	Nestle (Puslinch)
Korzite Coatings (GET)	Coldpoint (GET)
Tim Horton's & Erin Plaza (Erin)	Central Wire (Erin)
Canadian Tire (Fergus)	Nexans (CW)
Wallenstein Holdings (Mapleton)	Millside Industries (Mpltn)
Wightman (Minto)	MSW Plastics (Minto)
Sobey's (Well North)	Musashi (Well North)

VACANT LAND PROPERTIES INCLUDE

* Commercial *	** Industrial **
SAI Energy (Brock Rd, Puslinch)	Persian Investments (32 ac Maltby Rd, Puslinch)
Marden Motors Lot (Hwy 6, GET)	Puresource (GET Whitelaw Rd)
Avila Investments (Erin)	Erin Park Dr x 11 (Erin)
Loblaws (Elora - 6 ac)	AO Smith x 5 and Guelph Soap x 2 (Ctr Well)
Midwestern Ont Co-op (Drayton)	Webber, Robert (2.4ac Drayton Ind Park)
Bosman x 2 (Minto)	Minto Municipal Services (18 ac Minto)
Sobey's x 2 (Well North)	2199645 Ontario Inc (9 acres Mount Forest)

SUMMARY - Commercial and Industrial Additional Tax on Excess/Vacant Lands		Additional Tax on Excess/Vacant Lands							County Total
		Puslinch	Gue/Era	Erin	Cent Well	Mapleton	Minto	Well North	
Local Tax Impact Total	312	\$17,968	\$15,405	\$17,333	\$20,743	\$2,652	\$5,315	\$11,385	\$90,802
County Tax Impact Total		\$70,617	\$37,330	\$41,991	\$46,683	\$3,797	\$6,409	\$14,719	\$221,547
OVERALL TAX IMPACT		\$88,585	\$52,735	\$59,323	\$67,426	\$6,450	\$11,724	\$26,104	\$312,348

Using Notional Tax Rates from OPTA for Municipalities and estimated 2018 rates for County.

VACANT UNIT REBATE AND VACANT/EXCESS LAND SUBCLASSES

January 2017

Since 1998, the Vacant Unit Rebate and Vacant/Excess Land Subclasses have provided tax rebates and reductions to property owners who have vacancies in commercial and industrial buildings or land.

- **Vacant Unit Rebates**: The Vacant Unit Rebate provides a tax rebate to property owners who have vacancies in commercial and industrial buildings. This application-based program is administered by municipalities. The current rebate is 30% of the property tax for vacant commercial space and 35% for vacant industrial space.
- **Vacant and Excess Land Property Tax Subclass**: Commercial and industrial properties or portions of these properties in the Vacant and Excess Land Property Tax Subclasses are taxed at a fixed percentage rate below the tax rate of the broad class. These properties are discounted at 30% to 35% of the full Commercial and/or Industrial rate.

Currently, upper- and single-tier municipalities may choose to apply the same percentage of relief (between 30% - 35%) to both the commercial and industrial property classes.

NEW MUNICIPAL FLEXIBILITY FOR 2017 AND FUTURE YEARS

The Province has reviewed the Vacant Unit Rebate and the Vacant/Excess Land Subclasses in consultation with municipal and business stakeholders.

In response to municipal and other stakeholders' requests, the Province is now moving forward with providing municipalities broad flexibility for 2017 and future years. This change, announced in November 2016, is intended to allow municipalities to tailor the vacant rebate and reduction programs to reflect community needs and circumstances, while considering the interests of local businesses.

In order to provide the most flexibility for municipalities, changes to the rebate and reduction programs will be implemented through regulation. Upper- and single-tier municipalities that have decided to change the programs can notify the Minister of their intent to utilize this flexibility and provide details of the proposed changes along with a council resolution.

To support implementation of changes to the vacant rebate and reduction programs, municipalities should review the attached checklist prior to submitting a request for changes to the Minister.

IMPLEMENTATION

Municipalities wishing to utilize the flexibility available to them must submit details of proposed changes to the Minister along with a council resolution by one of the following dates to ensure amendments are included in a regulation as soon as possible.

- March 1, 2017
- April 1, 2017
- July 1, 2017

Municipalities will be notified when the regulation implementing the requested changes has been enacted.

Note that in two-tiered municipalities, any program changes to be implemented will be an upper-tier municipal decision, consistent with the flexibility currently available to upper-tier municipalities, to determine the rebate and reduction percentage between 30% and 35%.

The Province has an interest in continuing to ensure tax competitiveness and consistency for taxpayers and as such, the Minister will consider proposed program changes within this context.

FURTHER INFORMATION

For general information about the vacant rebate and reduction programs, please contact the Ministry of Finance at info.propertytax@ontario.ca.

**VACANCY REBATE AND REDUCTION PROGRAM CHANGES
CHECKLIST
January 2017**

BUSINESS COMMUNITY ENGAGEMENT

- ✓ Have you engaged the local business community?
- ✓ Can you provide details on how and when you have engaged the local business community?
- ✓ Have you considered the potential impacts the proposed changes may have on local businesses?
- ✓ Have you communicated potential impacts of proposed changes to the business community?
- ✓ Has Council been made aware of the potential impacts on the business community?

PROGRAM DETAILS

- ✓ Have you outlined details of program changes in your submission?
- ✓ For municipalities in a two-tiered system, have you discussed proposed changes with lower-tier municipalities?
- ✓ Have you considered how you will implement or administer any potential changes to the vacancy programs?
- ✓ Have you considered these changes as part of a multi-year strategy?
- ✓ Has Council passed a resolution indicating approval of these changes?

FURTHER INFORMATION

If you have any questions about implementation of changes to the vacant rebate and reduction programs, please contact the Ministry of Finance at info.propertytax@ontario.ca.

Ministry of Finance
Provincial-Local
Finance Division
10th Floor
777 Bay Street
Toronto ON M5G 2C8
Tel (416) 327-0264
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Ministère des Finances
Division des relations provinciales-
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10^e étage
777, rue Bay
Toronto (Ontario) M5G 2C8
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Télééc. : 416 325-7644



December 22, 2017

Dear Municipal Treasurer / Clerk-Treasurer:

I am writing to advise you of a number of important decisions for the 2018 taxation year related to municipal flexibility in setting property tax policy and education property tax rates.

Please note that all of these decisions will be reflected in the Online Property Tax Analysis (OPTA) system to support municipal property tax analysis and policy implementation.

The Province will notify municipalities when regulations implementing the property tax policy decisions are in place.

Business Vacancy Rebate and Reduction Programs

As announced in the *2016 Budget*, the government is providing municipalities with the flexibility to refine their business vacancy programs to better reflect local circumstances and respond to concerns regarding the appropriateness of the lower tax level provided through these programs and the unintended implications this may have for local economies. The regulation implementing changes to the vacancy programs requested by municipalities in 2017 has been enacted and is available on the Government of Ontario's e-laws website at www.ontario.ca/laws.

Municipalities will continue to have broad flexibility to modify their business vacancy rebate and reduction programs. The new deadlines to submit a notification to the Minister for changes effective for 2018 are **March 1, 2018** and **August 1, 2018**.

The government also announced through *the 2017 Ontario Economic Outlook and Fiscal Review* that it will be reviewing approaches related to the education property tax portion of these programs in consultation with municipalities and the business community. The objective will be to align the Province's approach with that of municipalities, while ensuring there is greater consistency across the province.

Multi-Residential Property Tax Review

The *2016 Economic Outlook and Fiscal Review* announced that the Province was undertaking a review of the property taxation of multi-residential properties in response to concerns about the significantly higher property tax burden on multi-residential apartment buildings and its potential implications for housing affordability in the rental market.

Over the past year, the Province has been working in consultation with municipalities as well as other affected stakeholders, including tenants and apartment building owners, to examine issues related to the tax inequity between multi-residential and other residential properties.

As a result of the review, the government is maintaining the freeze on the municipal property tax burden for existing multi-residential properties in communities where these taxes are high. This means, in municipalities where the multi-residential tax ratio is greater than 2.0, a full levy restriction will be implemented and reassessment related shifts onto the multi-residential class will be prevented.

Small-Scale Value-Added and Commercial Activities on Farms

The *2016 Economic Outlook and Fiscal Review* also announced that starting in 2018 municipalities will have the option to reduce the tax rate on qualifying value-added activities that occur on farms as part of the farming business. Optional new subclasses of the industrial and commercial classes will be created to allow the municipal tax rate to be reduced by 75% for the first \$50,000 of assessment related to qualifying activities.

In order to ensure consistency across the Province, the education property tax rate will be a reduction of 75% of the business education tax (BET) target rate and will apply to all qualifying properties. This reflects the Province's commitment to providing sustainable property tax treatment to farmers who engage in small-scale processing or retail activities as a direct extension of their farming business.

Regulations to establish the new subclasses and authorize the setting of municipal and education tax rates will be available in early 2018, at which time the Municipal Property Assessment Corporation (MPAC) will begin to identify eligible properties and issue amended assessment notices for affected properties.

Property Tax Treatment of Vacant Residential Land

As part of Ontario's Fair Housing Plan, the government committed to reviewing the property tax treatment of vacant residential land that has been approved for new housing. The purpose of the review was to consider providing municipalities with additional tools to encourage the development of these lands. This review responded to concerns expressed to the Province that vacant residential land was being held for speculative purposes.

As part of the review, the Province has consulted with a number of municipalities. Based on the feedback received, the Province will be providing municipalities with the flexibility to levy a higher property tax rate on vacant land approved for residential development. Municipalities that are interested in this option should notify the Minister of Finance of their desire to utilize this flexibility, together with details of:

- their proposed approach;
- a council resolution; and
- a plan for consulting with the residential development sector.

For the 2018 tax year, municipalities should submit their notification in writing to the Minister of Finance by March 1, 2018.

Municipal Property Tax Flexibility

Property Tax Rate Calculation Adjustment

In response to municipal requests, a technical adjustment to the provincially prescribed notional property tax rate calculation was announced in the *2016 Ontario Budget* and recommitted to in the *2017 Ontario Budget*. This adjustment ensures that when calculating notional tax rates, municipalities and the Province are able to address any unintended effects due to specific in-year property assessment changes, such as assessment appeal losses.

Municipalities continue to have the option to adjust the year-end assessment used in the notional property tax rate calculation to offset changes resulting from certain in-year reassessment related changes, including:

- Assessment Review Board decisions;
- Request for Reconsiderations;
- Post Roll Amended Notices; and
- Special Advisory Notices.

Applying the technical adjustment is an annual municipal decision and requires a council resolution.

Adoption of the adjustment is implemented by selecting the adjustment through the OPTA system. Municipalities that do not use OPTA are required to send information including their calculations supporting their adjustment to the Ministry via email to info.propertytax@ontario.ca.

To ensure the ongoing integrity of education property tax revenues, the property tax rate calculation adjustment is also applied to education property tax rates.

Tax Ratio Flexibility

Municipalities will continue to be provided with tax ratio flexibility to avoid most tax shifts that may occur between property classes as a result of phased-in reassessment impacts. For the 2018 tax year, municipalities that tax multi-residential properties at more than double the rate of residential properties will continue to have tax ratio flexibility, but will not be able to increase the multi-residential tax ratio. These municipalities will still be able to choose whether to use tax flexibility in response to reassessment-related tax shifts among other property classes.

Modified Levy Restriction

Municipalities with property classes subject to the levy restriction will continue to have the flexibility to apply a municipal tax increase to those classes of up to 50 per cent of any increase applied to the residential class. For instance, a municipality levying a 2 per cent increase in residential taxes could raise taxes on any restricted class by up to 1 per cent. As noted above,

a full levy restriction will apply to multi-residential properties with a tax ratio greater than 2.0 in 2018.

Education Property Tax Rates

To assist municipalities with their budget planning, draft education property tax rates for 2018 are attached. The province-wide residential education property tax rate and the target and ceiling business education tax (BET) rates are summarized in the following table. The Province will notify municipalities when these rates have been set in regulation.

	2017 Rates	2018 Rates
Residential	0.179%	0.170%
BET Target	1.14%	1.09%
Commercial BET Ceiling	1.39%	1.34%
Industrial BET Ceiling	1.39%	1.34%

If you have any questions related to these decisions, please contact Chris Broughton, Director of the Property Tax Policy Branch at Chris.Broughton@ontario.ca or 416-314-3801.

We look forward to continuing to work in partnership with municipalities to ensure stability for Ontario's property tax system, while providing flexibility for municipalities in addressing their local circumstances.

Sincerely,



Allan Doheny
Assistant Deputy Minister
Provincial Local Finance Division