

# CORPORATION OF THE COUNTY OF HURON

## TREASURY

### FINANCE

TO: Chair and Members of the Committee of the Whole  
FROM: Michael Blumhagen, Treasurer  
DATE: November 15, 2017  
SUBJECT: Vacant Unit Rebate Program– Public Consultation

#### **RECOMMENDATION:**

It is recommended that the Council of the County of Huron **approve/does not** approve the 3 year phase out of the vacant unit rebate program beginning in the 2018 tax year.

#### **BACKGROUND:**

On June 21, 2017, Committee of the Whole received and approved the report titled “Vacant Unit Rebate and Vacant/Excess Land Subclass Tax Reductions”. This report recommended that a policy be adopted to phase out the current vacancy rebate program over a three year period starting in 2018 with the complete elimination by 2020, subject to the outcome of community consultations. The report is provided as an attachment.

MPAC assesses commercial and industrial properties using the either the income, sales or cost approach. Attached to this report are some of the valuation methodologies that MPAC will use to assess small commercial properties, office buildings and shopping center properties in Ontario.

When commercial or industrial properties are valued based on the income approach, MPAC will assess the potential gross income from a property minus the vacancy allowance and operating expenses.

Information from MPAC indicates that vacancy loss is factored into larger sized commercial properties based on the following allowances for Huron County:

<b>Type of Building</b>	<b>Vacancy Allowance</b>
Office Building Class A	7%
Office Building Class B/C/D	8%
Standard Plaza (Prop Code 430)	7%

When properties are valued based on a cost approach which is typical with unique property types that are rarely sold on the market, vacancy is accounted for when the economic obsolescence is factored in during the reassessment. More information regarding property valuations is included on the MPAC website.

The public consultation that was undertaken by local municipal staff through July – September is as follows:

- Information regarding the proposal was provided to the local municipal councils
- Notices informing property owners of the proposal were sent out by the local staff along with the final tax bills
- Notices were placed in the local Huron County weekly newspapers for a one week run at the end of August
- Notices were sent directly to the local Huron County Chambers and Business Improvement Associations via email or mail where email was not available
- Staff presented to the Huron County Economic Development Board in August

The vacant unit rebate issue is also being discussed across the province. Some decisions made in the local region are as follows:

<b>Municipality</b>	<b>Decision</b>
County of Essex	2018 - Full elimination
Chatham-Kent	2018 – 2 year phase out
Town of St. Marys	3 year phase out
London, St Thomas	Considering 2018 full elimination, public consultation phase
Windsor, Lambton County, Region of Waterloo	Considering 3 year phase out, public consultation phase
County of Oxford	Considering a 5 year cap on eligibility, initial 3 year phase out proposal was not approved
City of Guelph	November Council report outlining options
Dufferin, Perth and Wellington Counties	No action at this point
City of Stratford	Beginning the process to phase out, public consultation this fall
Elgin County	Considering elimination with savings being rolled into their local Community Improvement Plans

While the local Council may have approved the phase out, the Province must ultimately provide their approval for this to take effect. It is not known if any municipality has yet to have this approved by the Province.

**COMMENTS:**

Feedback from property owners was limited to a few responses and the comments received were not supportive of the initiative. Concerns being expressed focused on the difficult economic conditions being faced in our small rural communities. The overall feedback from the various business associations was more supportive of the initiative but felt it was important to roll the savings/revenue retention from the elimination of the tax rebate into incentive programs for local businesses.

Feedback that has been received:

- Working group members (County, Goderich, South Huron and North Huron staff) support and recommend the 3 year phase out.
- Local municipal staff support the proposed 3 year phase out as proposed by the working group
- Huron County Economic Development Board – supported the idea of the 3 year phase out with the savings rolled into some sort of local improvement or incentive initiatives
- Blyth BIA – supportive of the phase out
- Exeter BIA – supportive of the phase out, with the savings rolled into an Attraction Rebate tool
- R Gibbons – property owner – not supportive of the phase out, passed along information regarding a “Renew Northern Wellington” program
- Dr. G. Sidhu – property owner – not supportive of the phase out
- B. Reed – property owner – not supportive of the phase out
- Northlander Industries – property owner - not supportive of the phase out

The working group is recommending that the vacant unit rebate be phased out over a three year period, beginning with rebate applications in 2019. 2019 rebate applications will relate to any vacancies that may have occurred in the 2018 tax year. There would be a 1/3 reduction each year, with the rebate completely eliminated for any applications in 2021 relating to the 2020 tax year vacancies.

#### **FINANCIAL IMPLICATIONS:**

The current overall municipal cost including both the County and Local portion of the vacant unit rebate is approximately \$130,000. For some local municipalities the cost is significant. In addition to the actual cost of the rebate is the local municipal staff resources required to manage this program. Ongoing commercial and industrial reassessments will have an impact on the value of the total rebate across the County.

#### **ATTACHMENTS:**

- Vacant Unit Rebate Report, June 21, 2017 (initial report)
- Office Building Valuation Methodology
- Shopping Centre Valuation Methodology
- Commercial Property Valuation Methodology
- Feedback received from business community

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Approved by:

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