TO: Chair and Members
   Economic Development and Planning Committee
WARD(S) AFFECTED: CITY WIDE

COMMITTEE DATE: October 5, 2010

SUBJECT/REPORT NO:
Request the Province of Ontario to Review the Legislation that Governs Rebates for
Vacant Commercial and Industrial Properties (PED10166/FCS10064) (Wards City Wide)

SUBMITTED BY:
Tim McCabe
General Manager
Planning and Economic Development Department

Roberto Rossini
General Manager
Finance and Corporate Services Department

PREPARED BY:
Hazel Milsome 905-546-2424 ext 2755
Larry Friday, 905-546-2424, ext. 2425

SIGNATURE:

RECOMMENDATION:

a) That Council request the Minister of Finance for the Province of Ontario to review
the legislation that governs tax rebates for vacant commercial and industrial
properties and establish a committee for the purpose of the review with
membership comprised of municipalities, business and industry leaders; and
b) That staff from the Downtown and Community Renewal Division be directed to implement an outreach program for the purpose of informing eligible property owners who have received vacancy tax rebates for commercial and industrial properties for two or more consecutive years, of the financial incentive programs available for property development/redevelopment within the City’s downtowns, Business Improvement Areas and historic retail streets.

EXECUTIVE SUMMARY

Report PED10166/FCS10064 advances a priority action resulting from the 2010 Hamilton Economic Summit held on May 17, 2010, which was “Clamp down on tax reduction for vacant properties after one year”.

Report PED10166/FSC10064 recommends that the Province of Ontario be requested to review the legislation that governs the rebate of property taxes for vacant commercial and industrial properties and to establish a committee for the purpose of the review with membership comprised of municipalities, business and industry leaders. The Report also recommends that staff be directed to inform property owners who have received vacancy rebates for two or more consecutive years of the financial incentive programs available for property development/redevelopment within the City’s downtowns, Business Improvement Areas and historic retail streets.

In accordance with Section 364 of the Municipal Act 2001, and Ontario Regulation 325/01, every municipality shall have a program to provide tax rebates to owners of property that have vacant portions, if that property is in any of the commercial or industrial tax classes. The Municipal Act dictates that this rebate must be between 30% and 35%. Property owners must apply annually to receive this rebate.

Vacant commercial properties have a significant negative effect on surrounding properties within Hamilton’s commercial districts. The economic burden to the surrounding property owners is witnessed through increased costs for insurance, difficulties obtaining mortgage financing and increased costs for enforcement of property standards, fire and health regulations. Revitalization efforts are also hampered as it is difficult to maintain and strengthen commercial street fronts when properties are left vacant and, in some cases, neglected.

In recognition of the inherent negative effect of vacant/neglected properties, the City of Hamilton has used the existing property tax tools currently available to municipalities in an effort to encourage development/use of vacant properties. For example, commencing in 1998, the City elected to establish the Parking Lot & Vacant Land optional property class. Establishing such a class ensures that vacant land pays taxes based on the full commercial tax rate, and does not benefit from a reduced “vacant” tax rate. As a result, this tax policy tool has been used to eliminate any property tax incentive which may have attributed in encouraging speculation on vacant land and, as
such, delay development. In 2009, the City of Hamilton also approved the reduction of the industrial vacancy rebate from 35% to 30%. As such, the City of Hamilton now provides for the minimum vacancy rebate allowable under the Municipal Act (30% vacancy rebate for both commercial and industrial property classes).

The intent of the recommended review is to secure amendments to the Provincial legislation that would limit the vacancy rebate. Limiting the tax rebate would not only enhance the current tax policy tools available to discourage vacancies, but also address a direct outcome of the Hamilton 2010 Economic Summit.

Staff intends to target property owners who own property within geographic areas aligned with Downtown and Community Renewal Division’s mandate who have received tax rebates for vacant commercial and industrial properties for two or more consecutive years. The owners will be provided with information on the financial incentive programs available for the redevelopment of properties in an effort to encourage the owners to undertake improvements that would attract prospective tenants or, create residential units in the vacant space where zoning permits.

### FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)

**Financial:** In 2009, the City rebated approximately $1.9 million in municipal taxes in relation to approximately 600 vacancy applications. Including the educational portion, the figure climbs to slightly over $3.0 million. If the recommended review results in the legislative changes to limit the reduction in property taxes for commercial and industrial properties, the amount of rebates would decline.

**Staffing:** There are no staffing implications in this Report.

Tax rebate applications for vacant commercial and industrial properties are processed and monitored through the Taxation Division.

**Legal:** Section 364 of the Municipal Act 2001, dictates that a municipality shall provide a program to provide tax rebates to owners of properties that have vacant portions if the property is in any of the commercial or industrial tax classes. The Act further dictates that the rate of the reduction must be set between 30%-35%. This report recommends that the Province review this legislation.

### HISTORICAL BACKGROUND (Chronology of events)

The City of Hamilton, through an annual by-law, establishes the tax ratios and tax reductions. By-law 10-110 sets the tax ratios and tax reductions for 2010 including a 30% reduction for vacant commercial and industrial properties in accordance with the Municipal Act.
Recognizing the fiscal realities of property owners who have costs associated with commercial/industrial vacant space, a limited rebate of commercial/industrial taxes can be supported. However, because of the negative effect vacant commercial/industrial space has on initiatives to build and nurture healthy business districts, the rebate of taxes should be limited.

The tax rebate for vacant properties has been an issue with the Hamilton Association of Business Improvement Areas (HABIA) since the legislation was enacted in 1998. The position of HABIA is that property owners of commercial and industrial properties should be encouraged to rent vacant space; therefore, the rebate should be limited to one year after which, if the property is still vacant, the owner should be responsible for the full current value assessment, taxes applicable. Report FSC05058 approved by City Council at its meeting held June 29, 2005, requested the Minister of Finance for the Province of Ontario to amend the vacancy tax rebate program for commercial and industrial taxes by limiting the rebate to one year. The Province took no action at that time.

The position of both the Hamilton Chamber of Commerce and the Ontario Chamber of Commerce mirrors that of HABIA’s.

The Downtown and Community Renewal Division offers various financial incentive programs for property redevelopment within the City’s downtowns, Business Improvement Areas and historic retail streets. It is staffs’ intention to promote the programs to owners of properties that have received a vacancy tax rebate for two (2) or more consecutive years and encourage the owners to undertake improvements to their properties with the City’s financial assistance. Improving the condition of a property or converting commercial vacant space to residential, if zoning permits, could attract more jobs and residents to an area.

**POLICY IMPLICATIONS**

Section 364 of the Municipal Act 2001, dictates that a municipality shall provide a program to provide tax rebates (between 30%-35%) to owners of properties that have vacant portions, if that property is in any of the commercial or industrial tax classes. Regulation 325/01 dictates that the rate of the reduction which can be set is between 30%-35%. Amendments by the Province of Ontario would be required to Section 364 of the Act in order to set any limitations on a taxpayer’s ability to apply for the vacancy rebate.

**RELEVANT CONSULTATION**

The Managing Director of the Hamilton Economic Summit was consulted on the preparation of the report and the Priority Actions resulting from the Summit are attached.
as Appendix ‘A’ to Report PED10166/FCS10064 that includes the action to “clamp down on tax reduction for vacant properties after one-year”.

The Executive Director of the Hamilton Chamber of Commerce was consulted on the preparation of this Report and provided the letter of support attached as Appendix ‘B’ to Report PED10166/FCS10064. The Hamilton Chamber of Commerce’s position on taxation levels on vacant properties mirrors the Ontario Chamber of Commerce’s position.

Staff from Legal Services, City Manager’s Office, were consulted on the preparation of Report PED10166/FCS10064.

### ANALYSIS / RATIONALE FOR RECOMMENDATION

(include Performance Measurement/Benchmarking Data, if applicable)

Limiting the tax reduction for vacant commercial and industrial space would assist in achieving the following performance measurement of City Council:

- *Tax increase/hold at or below rate of inflation, net of downloading program changes, and service level enhancements.* The City of Hamilton would be collecting additional taxes if a 30% reduction in commercial/industrial taxes for vacant space was limited thus contributing to service costs.

Focusing time and energy on promoting the financial incentive programs available for property redevelopment will be worthwhile if new life is breathed into formerly derelict buildings. Attracting new commercial and residential tenants to a formerly vacant property could bring more residents and jobs to an area and possibly visitors bringing money in from outside of the community. Surrounding property owners should find it easier to obtain insurance and mortgage financing and, there should be less of a demand on property standards, fire and health enforcement.

### ALTERNATIVES FOR CONSIDERATION:

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

Not Applicable.

Financial: Not applicable.

Staffing: Not applicable.

Legal: Not applicable.
Vision: To be the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities.

Values: Honesty, Accountability, Innovation, Leadership, Respect, Excellence, Teamwork
Economic Summit sparks with urgency delegates eager to advance priority actions

BC Television recently ran a weekly reality show called No Opportunity Wasted or NOW for short. The premise was simple. Each episode featured a young entrepreneur racing against the clock to complete a challenge linked to moving a particular project forward. The show's underlying message underscored a universal need for urgency — acting in the presence of NOW!

This critical message energized every element of the third annual Hamilton Economic Summit, a premier leadership initiative facilitated by the Hamilton Chamber of Commerce and held at the Hamilton Convention Centre on May 17.

It's essential that Hamilton manage the clock as we act on the three major business opportunities discussed at this year's summit: 2015 Pan Am Games, Downtown Redevelopment, and Transportation Infrastructure. These are large-scale initiatives that together have the power to generate long-term jobs and prosperity. The key is to aggressively act on these and other opportunities that could generate more than $3 billion in new local business activity in the next five years.

PAN AM GAMES

This panel discussion featured opening presentations by Mayor Fred Eisenberger and Ian Troop, CEO, Toronto 2015 Pan Am Games. It generated the following key action items based on delegate input:
- July 1 deadline decision on stadium site
- No strike/lockout commitment to ensure local facilities meet timelines
- Full transparency on all competitive bid processes
- Centralized gateway for all local business opportunities
- Contingency plan should preferred site not materialize

DOWNTOWN REDEVELOPMENT

This panel featured lead off remarks by Ron Marini, Director, Downtown and Community Renewal, City of Hamilton, and generated the following key action items:
- Support Hamilton Realty Capital Corporation in forging local investments
- Ask the province to review the policy that charges education taxes to those making property improvements in the downtown
- Increase business tenants by ten percent by the end of 2010
- Support preliminary discussions around a new postsecondary campus in downtown Hamilton
- Clamp down on tax reduction for vacant properties after one year
- Focus on attraction and retention of newcomers to downtown Hamilton

TRANSPORTATION INFRASTRUCTURE

This panel featured a context-setting introduction by Robert Prichard, President and CEO, Metrolinx, our region's transportation authority. It generated the following key action items:
- Recommit to Hamilton as an intermodal transportation hub
- Strengthen coordination among various initiatives — including people and goods movement
- Market existing facilities and build for the future
- Attract distribution centres
- Use small delivery vehicles to service downtown

For additional summit information, including highlights from the Next Generation Strategy Session and the Community Forum featuring a keynote address by Storm Cunningham, visit HamiltonEconomicSummit.ca.

The HES 2010 Advisory Committee, led by Chair Tyler MacLeod and Honorary Co-Chairs Rob MacIsaac and Don Pether, expresses a sincere thank you to everyone involved in making this year's summit such a success, including moderator Dr. Nick Bontis, and our sponsors and speakers. Most important, the committee thanks the summit's star attendees — our delegates.

COMING SOON
- HES 2010 proceedings document
- Hamilton next generation strategy report with recommendations
- HES 2010 summary video sponsored by US Steel Canada
- New postings to summit website
- Game plan for acting on HES 2010 priority actions