

New Municipal Flexibility for Vacant Unit Rebates and Vacant/Excess  
Land Subclasses

Business and Public Feedback

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**Barton**  
**VILLAGE**  
Business Improvement Area

448 Barton St. East, Unit 2,  
Hamilton, ON L8L 2Y3



May 4, 2017

RE: Vacant Unit Rebate Program

To The City of Hamilton,

The Barton Village BIA would like to inform you that we are in favour of the **elimination** of the Vacant Unit Rebate Program. As an area that has some of the highest vacancy rates in the city we feel that the vacancy unit rebate has been detrimental in the revitalization of the street as it disincentives property owners to fully utilize their buildings.

Sincerely,

Rachel Braithwaite  
Executive Director  
Barton Village BIA  
289-682-9472

**Rojas, Gloria**

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**From:** International Village BIA <info@hamiltoninternationalvillage.ca>  
**Sent:** April-12-17 11:17 AM  
**To:** Rojas, Gloria  
**Subject:** Vacancy Rebates

Hi Gloria,

As per the email that Carlo just sent me, please note that the International Village board of directors' position on that vacancy rebates is that we would like to see them eliminated completely.

If you have any questions, feel free to contact me anytime.

Thanks,

Susie Braithwaite

905-522-1778

**Rojas, Gloria**

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**From:** Gorni, Carlo  
**Sent:** May-09-17 11:06 AM  
**To:** Rojas, Gloria  
**Cc:** 'concessionbia@gmail.com'; Rojas, Gloria  
**Subject:** FW: Vacancy Rebate: Concession BIA  
  
**Importance:** High

Good morning Gloria.

Please see the email below from the Concession Street BIA.

Thanks.

Carlo

**Carlo Gorni**  
Business Improvement Area Coordinator  
Urban Renewal Section, Economic Development Division  
Planning & Economic Development Department  
City of Hamilton  
71 Main Street West, 7<sup>th</sup> Floor  
Hamilton, ON L8P 4Y5  
905-546-2424 x2632  
[Carlo.gorni@hamilton.ca](mailto:Carlo.gorni@hamilton.ca)



[www.hamilton.ca/canada150](http://www.hamilton.ca/canada150)

*Please consider the environment before printing this email.*

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**From:** ED of BIA [<mailto:concessionbia@gmail.com>]  
**Sent:** May-09-17 10:57 AM  
**To:** Gorni, Carlo  
**Subject:** Vacancy Rebate: Concession BIA  
**Importance:** High

Hello Carlo,

Further to this mornings meeting, could you please share this with Gloria Rojas regarding the Vacancy Rebate review.

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The Concession Street BIA is in full support of eliminating the Vacancy Rebate program within the boundaries of our Business Improvement Area. This change will be a great asset in ensuring we have an incentive that will deter buildings sitting vacant for extended periods of time.

Please let me know if we can be of any other assistance Gloria.

Thank you.

Warm regards,

Cristina Geissler

Executive Director  
Concession Street BIA  
534 Concession Street  
Hamilton, ON  
L8V 1A6  
289 933-8899  
[concessionbia@gmail.com](mailto:concessionbia@gmail.com)

[www.concessionstreet.ca](http://www.concessionstreet.ca)

[FACEBOOK](#)

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[INSTAGRAM](#)

**Rojas, Gloria**

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**From:** Rojas, Gloria  
**Sent:** May-11-17 2:27 PM  
**To:** Rojas, Gloria  
**Subject:** Feedback on Vacancy Tax Rebate

**From:** Executive Director [<mailto:executivedirector@shopancastervillage.com>]  
**Sent:** May-10-17 9:27 AM  
**To:** Rojas, Gloria  
**Subject:** RE: Feedback on Vacancy Tax Rebate

Gloria,

As discussed at the meeting yesterday, the Ancaster BIA discussed this issue at their Board meeting in February, 2017.

The recommendation from the Ancaster BIA is one of the follow 2 options:

The committee recommended that the vacant property's owners should have the 30% rebate for one year only or a full repeal of the rebate.

Please let me know if you require any further information.  
Kind regards,

Jennifer Mattern  
Executive Director  
Ancaster BIA  
289-239-7828

Please note my email has changed: [executivedirector@shopancastervillage.com](mailto:executivedirector@shopancastervillage.com)

**Rojas, Gloria**

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**From:** Jerome Skara [REDACTED]  
**Sent:** April-20-17 5:05 PM  
**To:** Rojas, Gloria  
**Subject:** Vacant building tax rebate

Here's a Common Sense By-Law idea.

Once the LRT dig starts (if it starts,,,?), then remove the vacant property tax rebate and apply it to the businesses on the LRT corridor. If memory serves me correctly, it would be nearly the exact same number of businesses as vacant properties wouldn't it?

Just a simple thought showing Hamilton is capable of moving forward and helping biz out while construction heartaches are in play.

Jerome Skara  
Owner  
Gown and Gavel  
24 Hess Street South  
Hamilton

Sent from my iPhone

**Rojas, Gloria**

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**From:** Julie Michal <tipthescaledipthetax@gmail.com>  
**Sent:** May-01-17 8:06 AM  
**To:** Hewitson, Tom  
**Cc:** Zegarac, Mike; georgel@ndp.on.ca; Green, Matthew; Office of the Mayor; tmcmeekin.mpp.co@liberal.ola.org; info.propertytax@ontario.ca; Rojas, Gloria  
**Subject:** Re: Provincial Tax Rebate

Hi Tom,

As part of a dedicated group of residents from Hamilton, thank you for your response. As a community member committed in seeing this tax rebate being repealed I have some concerns with respect to the inclusion of Hamiltonian's with in your community engagement process and the dissemination of information to the community. Your current article in the Hamilton Spectator encourages input until May 13th from the broader community and imply's only business owners are welcome to speak at the June 7th GIC. Targeting the Neighborhood Action Strategy and community groups without appropriate time for discussion, dissemination and response makes the action appear as a check box instead of a sincere attempt to obtain community input.

In regards to this important issue many cities in the province of Ontario are experiencing as a result of the Current Provincial Property Tax Rebate. This rebate is being applied to vacant and semi-vacant buildings. From our perspective, the rebate encourages speculation, not stewardship or commercial revitalization as it was originally intended. The depressed look of the vacant buildings turns potential customers away and also discourages many other businesses from relocating to the area. These vacant buildings also bring crime to these streets by offering a haven for various types of criminal activity. As a result of these issues, we have started a petition to which MPP Andrea Horwath presented to the Legislative Assembly of Ontario December 6th 2016, to repeal the "Property Tax Rebate for Vacant Commercial and Industrial Buildings" under section 364 of the Municipality Act 2001 and Ontario Regulations 325/01.

In repealing the tax rebate, business owners that are operating adjacent to the vacant and semi-vacant buildings would incur a benefit through a potential increase in the economics of "agglomeration" (the increase of patronage to businesses obtained when locating near other businesses). We also feel that local residents living near these vacant and semi-vacant buildings would benefit through enhanced public safety. Additionally, we feel that both businesses and residents will benefit from improvements in the look and walk-ability of their street, their neighborhoods and their larger communities.



Sincerely,

Julie Michal

<https://www.facebook.com/tipthescaledipthetax/>

On Thu, Apr 20, 2017 at 12:07 PM, Hewitson, Tom <[Tom.Hewitson@hamilton.ca](mailto:Tom.Hewitson@hamilton.ca)> wrote:

Hello Julie, thank you for your interest as the City reviews the Vacant Unit rebate and Vacant/Excess Land reduction.

I am attaching the communications document which is being circulated to the business community and neighbourhood associations. This includes the neighbourhood hubs. We are working with Community Services – Neighbourhood Action Strategy section to reach out to the hubs and this should occur shortly, but again, I am providing this to you now in response to your inquiry.

In addition there will be a media release and social media message.

Interested parties are encouraged to provide us written responses by either May 5<sup>th</sup> (to be included in our final report) or May 13<sup>th</sup> to be included as correspondence in the June 7<sup>th</sup> GIC agenda. Delegations are also welcome to the June 7<sup>th</sup> GIC meeting.

If you have any questions, feel free to contact me.

Tom

**Tom Hewitson**

**Rojas, Gloria**

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**From:** John Neary [REDACTED]  
**Sent:** May-11-17 12:50 PM  
**To:** Rojas, Gloria; Office of the Mayor; Johnson, Aidan; Farr, Jason; Green, Matthew; Merulla, Sam; Collins, Chad; Jackson, Tom; Skelly, Donna; Whitehead, Terry; Conley, Doug; Pearson, Maria; Johnson, Brenda; Ferguson, Lloyd; VanderBeek, Arlene; Pasuta, Robert; Partridge, Judi  
**Subject:** Vacant Unit Tax Rebate Program  
**Attachments:** 1 Business Consultation - Vacancy Rebate and Excess Vacant Land (1) (2).pdf; Queen's Park Forces Hamilton To Reward Failure - Raise the Hammer.pdf

Dear Mayor Eisenberger and Councillors,,

I write to you concerning the potential changes to the Vacant Unit Tax Rebate Program and the Vacant/Excess Land Discount Rate, as described in the attached consultation document. I note that you have solicited feedback from business owners but not from residents or homeowners, although the latter groups are impacted by this tax rebate program in important ways. As a resident and homeowner in the Beasley neighbourhood in Ward 2, I respectfully submit that continuing these rebates and discounts will be injurious to Hamilton residents, homeowners, and operators of legitimate businesses. The only interest group that benefits from these rebates is property speculators. There is no legitimate interest in continuing these harmful programs.

By definition, if a building is empty, then it houses no business; if a piece of land is vacant, then no business operates upon it. It is therefore a logical fallacy to hold that a vacancy rebate could be "good for business". The only business that can benefit from a vacancy rebate is one that does not actually use land or buildings, but simply purchases them and keeps them vacant in the hope of a return on capital down the road. While citizens and businesses have every right to purchase property, the City does not owe them a discounted tax rate as a reward for property speculation.

The City requires a certain amount of property tax revenue each year, along with other revenue streams, in order to cover the cost of the services it provides. Discounts on property taxes for one set of landowners must necessarily be balanced by higher property taxes for other landowners. This phenomenon is hidden, but it is nevertheless real. The \$5-6 million dollars discounted to owners of vacant buildings and empty land represents a hidden \$5-6 million surtax on other property owners in our community. This differential taxation is profoundly unjust.

Many others have made the point that vacant buildings have a negative impact on the neighbourhoods around them. Having lived across from the empty Cannon Knitting Mills building for the past eight years, I entirely agree. What is often overlooked is that vacancy tax breaks do not just reward owners of vacant buildings and empty land, they actively encourage vacancy. The owner of an underused property, in deciding whether to redevelop it, lease it to a tenant, or keep it vacant, will compare the costs of vacancy (maintenance and taxes) to the opportunity costs of redeveloping or leasing the space. By lowering the carrying cost of vacant properties, tax breaks for vacancy provide a direct incentive for landowners to keep their properties unused. The most stark example of this, as I have argued before (see attached article), is that when North Carolina offered Siemens a tax discount to move their operation from Hamilton, we implicitly held out a tax discount for Siemens to vacate their property in our city. The same argument holds for the unused Stelco lands.


Many will argue that increasing property taxes on empty properties is unfair, because these properties are empty as a result of poor market conditions. This argument would have been superficially plausible in the late

20th century when land values were falling and businesses were closing across the lower city. Even then, a closer analysis would reveal that the tax rebates simply acted to further encourage vacancy. Moreover, when discussing the owners of vacant commercial and industrial properties, we should be clear that we are not talking about a group of people who are economically marginal. Anyone who is affluent enough to not only own commercial or industrial property but to keep it empty as a form of land speculation is not a person who needs a bailout from the municipal government. Finally, with land prices rising rapidly across the City of Hamilton, the owners of vacant properties have already seen substantial growth in the value of their assets. They do not need a further handout from the City in the form of an unjustifiable tax break. Landowners who genuinely cannot see a way to develop their properties can simply sell them to other people who do want to develop them, and the sellers will reap substantial capital gains by so doing.

The purported benefit of vacancy tax breaks for businesses is a mirage, but the harms to residents, homeowners, and legitimate businesses are very real. There is no argument for continuing these tax breaks as they are, or for tweaking them as described in the consultation document. These tax breaks should simply be eliminated.

Sincerely yours,

John Neary

  
Hamilton, ON

**Rojas, Gloria**

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**From:** Lisa Anderson <info@downtowndundas.ca>  
**Sent:** May-09-17 3:04 PM  
**To:** Rojas, Gloria  
**Cc:** Phyllis Kraemer; Gorni, Carlo  
**Subject:** Vacant Unit rebate motion from Downtown Dundas BIA board of management

Good morning Gloria,  
At the Dundas BIA's board of management meeting on Tuesday May 2, 2017 the following motion was moved and carried in regards to reviewing the vacant unit rebate.

**D. Mills/L. Eisenberger**  
**That the vacancy rebate be one year plus a second year by special application.**  
**Carried**

Thank you,  
Lisa

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Lisa Anderson | Co-ordinator | Dundas BIA | [289-775-1620](tel:289-775-1620)  
[www.facebook.com/DowntownDundasBIA](http://www.facebook.com/DowntownDundasBIA) | Twitter: @dwntwnDundasBIA

*Dundas International Buskerfest June 2, 3 & 4 2017*

**Rojas, Gloria**

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**From:** Tim Sonic Unyon  
**Sent:** April-25-17 6:59 PM  
**To:** Rojas, Gloria  
**Subject:** Vacant Unit Tax rebate

Vacant Unit Tax rebate issue

As a long time property owner in Hamilton we have always felt compelled to fill our building units with tenants. In 25 years we have barely used the Vacant Unit Tax rebate system. Only in one property over a 25 years period. Our property holding companies currently own 14 properties in Hamilton all of which are completely leased or sitting at 90% leased.

I feel this system has a tendency to be abused by out of town property owners and speculators who have no incentive to improve, update, renovate and lease their space. For this reason, I feel it is necessary to place time limits on these incentives and engage with these property owners to work towards getting their properties back on the open market. I feel an appropriate time frame is 2-3 years.

thanks

Tim Potocic  
Sonic Unyon Records Management and Live  
Supercrawl - Because Beer - Seven Sundays - Mils Hardware  
905-777-1223 office / 905-928-4126 cell

**Rojas, Gloria**

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**From:** John Henley [REDACTED]  
**Sent:** May-07-17 12:28 PM  
**To:** Rojas, Gloria  
**Subject:** Vacant Unit Tax Rebate programme

As someone who has benefited from the programme I would like to offer my perspective and why the programme has been helpful to me.

I can quite understand the attitude of City councils towards people who deliberately keep properties empty in order to benefit from an increase in property prices. Those are the people who should be targeted in any new legislation.

There is a big difference between people like me who might purchase a property with a view to upgrading it and making it available to tenants (in my case, small commercial tenants) and those who choose to buy a property and leave it vacant because their equity increases faster than if their money were deposited in a bank.

In my case, I bought an old 1840s mill building back in 1986 in an area that is mainly residential now. By the 1990s the economy was faltering and it was not that easy to fill the spaces, so any relief I could get through the tax rebate programme was appreciated, and helpful to a small businessman like myself.

In 2006 there was a fire in the building caused inadvertently by a tenant. The place had to be closed down and renovations took 2 1/2 years to complete, during which time finding new occupants was pointless.

Once the main building was renovated, I was able to look for new tenants, but, because of the location of the property, this proved difficult and it has taken many years to fill the place.

During that time the tax rebate for vacancy has been very useful and I have now reached the point where I expect the remainder of the space to be leased out this year. That means no application to Hamilton for vacancy rebates for 2018 onwards, unless there is an unexpected turnover of tenants.

Every expense related to the vacant areas falls on me to pay. That includes property taxes, maintenance and utilities. Receiving a rebate for the property taxes has always proved helpful and has been appreciated.

I think the City needs to differentiate between those who apply for a rebate because they need to and who have valid reasons, and those who are deliberately keeping properties vacant in anticipation of seeing a growth in their investment.

From what I read, it would appear that the City would like to impose some sort of time period after which the rebate would be disallowed.

Again, this approach needs to focus on those who need the rebate as opposed to those who are deliberately keeping their properties empty for all the wrong reasons.

By keeping residential properties vacant, owners are denying living space to many people. If one buys an investment property the purpose is usually so that there will be a return on their investment, so the need to keep it tenanted, whether commercial, residential or mixed, is important. These are the type of owners who need the support.

However, buying places just so that they can deliberately be kept empty is in no one's interest other than the owner.

The City needs to differentiate between the two types of owners and not penalize one in order to nail the other.

Setting a time limit to rent out property or pay full property taxes may be appropriate for the investor who keeps his property vacant out of choice, but it is not for the investor who seeks to lease out property, but circumstances do not always produce tenants as and when you want them.

One angle to watch out for would be people who post excessively high rents to "show" that they are trying to rent a property, knowing full well that no one in their right mind will pay the rent being asked.

That way they are showing their willingness to look for tenants but are pricing everyone out of the market to ensure their properties remain vacant and qualify for the rebate.

At the end of the day, the powers that be at the City must decide whether applicants are reasonable in their request for a property tax rebate based on genuine efforts to rent out the vacant spaces, or if they are deliberately gaming the system for their own long term benefit.

Regards

John Henley

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*RioCan Management Incorporated*

**MEMO**

**TO:** City of Hamilton Staff

**FROM:** Mirian Mamaril-Padilla, Manager of Real Estate Tax, RioCan

**DATE:** May 5, 2017

**SUBJECT:** Vacancy Rebate Program – Hamilton City

**INTRODUCTION**

The city of Hamilton announced the potential elimination of the vacancy rebate program starting in 2018. Business owners use the program to mitigate losses. The support of the government to continue the rebate program will allow businesses to focus on growth.

Two factors such as co-tenancy clauses and changing market conditions can negatively affect the growth of the economy. The real effects of co-tenancy clauses under an enclosed neighborhood mall, power centre, and new format retail are discussed in this report.

Hamilton also assumes the business owner receives vacancy adjustments by way of MPAC's valuation records. The reality of this adjustment is also discussed in detail within the body of this report.

**ENCLOSED NEIGHBORHOOD MALL**

Malls are considered to be the top 50 wonders of the revolutionized world in the lives of consumers (Consumer Report, 1986). In order for business owners to provide their consumers with a positive experience, the upkeep of the property is essential. If the property suffers from vacant units, the expense of the mall continues. Property tax, maintenance, garbage, and management expenses still need to be paid.

If an Anchor leaves the mall, co-tenancy tenants have the right to exercise their co tenancy clause. This means that Tenants B and C may terminate their Lease without penalty if an Anchor ceases their business. An anchor tenant may shut down business for various reasons. One reason is due to bankruptcy.

The absence of tenants in a mall would result in a loss to the community as well as the business owner. Even though the landlord is still at a loss with a vacancy rebate, the damage could have been far worse.



## **POWER CENTRE**

The importance of our tenants to succeed in a power centre is crucial. This is because the expense runs high in these centres. In addition, an empty big box unit due to vacancy gives the public an unappealing impression of the vicinity.

If an Anchor exits the power centre, Tenant B may terminate its Lease after 365 days. Tenant C may terminate its Lease after 180 days. Three tenants leaving this centre results in a significant loss in growth.

Since power centres are fairly new, they have higher assessments and taxes. It is imperative that expense in a power centre is kept low because, property tax is an uncontrollable cost. High taxes continue to be remitted regardless if tenants stay or leave the power centre. Also, a vacant unit in a power centre is visibly noticeable to the public. This is due to its sheer size and its big box presence in the centre. Consumers may see a big empty box in the middle of a power centre in a negative way which may lead to the perception of decreased growth in the community. Timing is of the essence when finding a new tenant to fill in such vacancy.

The support of the vacancy rebate would mitigate the loss significantly in a power centre.

## **NEW RETAIL FORMAT**

Similar to the power centre blueprint, new retail format is a mix of big box, medium and small units. Some new retail format centres have shadow anchors. These anchors sit near the property but do not officially form part of the property. The shadow anchor sits on land owned by *another* landlord. The purpose of the shadow tenant is to simply attract potential customers for the nearby centre.

A negative change in consumer taste could devastate the viability of the shadow anchor business. Also, negative market conditions can severely impact the adjacent sites. Since we have limited communication with our shadow anchor, we know little of their cash flow. This challenge makes it difficult to predict growth.

Tenant B can terminate its Lease if the shadow anchor ceases business. And, Tenant C may decrease its minimum rent from \$21 to \$4 per square foot. Tenant C is still responsible for its expenses but, a loss still occurs due to a drastic drop in rent. Although a loss still occurs for the business owner, a vacancy rebate lessens the full loss on impact.

## **MPAC's VALUATION RECORDS AND VACANCY**

MPAC gives an allowance for vacancy; but, this reflects a standard pattern of behavior that is considered normal for the purpose of equitable assessment. An allowance is based on the information acquired from the annual financial statements for the property. This is NOT a vacancy rebate.

In addition, MPAC does not give further allowances to chronically vacant units. Conditions need to be met first in order for such a treatment to take place. First, a unit has to suffer a certain type of functional obsolescence (such as a unit facing the rear of the shopping centre). Second, a unit that suffers from obsolescence would have to be vacant for at least three years or more. MPAC does not arbitrarily give allowances to units just because they are vacant.

## CONCLUSION

Vacant units are a loss to the business *and* community. Assumptions by Hamilton were made that business owners 'encourage a lack of property development' under the program. However, there is no incentive to leave the property undeveloped. Negative cash flows of the business due to vacancy contradict this assumption.

A vacancy rebate lessens the overall negative impact when tenants leave the shopping centre. These rebates assist in mitigating the heavy expenses left behind by vacating tenants.

## RECOMMENDATION

Keep the vacancy rebate program in existence. Heavy expenses in a retail operation do not disappear when a tenant exits the retail sector. The hardship on business and the community become greater when a vacancy occurs.

RioCan will endorse adjustments to the program by eliminating rebates on units chronically vacant for three years or more. Those who also abuse the program should not be eligible for a rebate under any circumstance.

**City of Hamilton's Review of the Vacancy Rebate Program  
and the Vacant and Excess Land Subclasses**

**Position of Cadillac Fairview (Owner Lime Ridge Mall)**

**Background**

The Vacancy Rebate Program was implemented in 2001 in order to compensate non-residential property owners for the property tax increase on vacant building premises caused by the amalgamation of business and realty tax into a single realty tax.

Under the previous pre-reform system, business tax was charged directly to tenants of business properties based on rates of 30%, 50% or 75% of the property assessment depending on the type of business activity. No business tax was levied to property owners on vacant premises and the property tax rate on the assessed value of vacant premises was 15% lower than the rate applied against occupied premises.

A property owners' tax liability on vacant premises was on average 42% lower than occupied premises.

The Vacancy Rebate Program allows for a partial rebate of the taxes paid on vacant space, if vacant for 90 days or more, of 30% for commercial property and 35% for industrial property. Although the rebate program does not compensate landlords to the 42% tax reduction based on real time vacancy of the pre-reform system, it does provide a tax reduction applicable to vacant premises as the pre-reform system had done.

Contrary to the staff report dated April 5, 2017, the vacancy rebate was not established to "...assist property owners in time of economic downturn..." but to specifically compensate for the increase in property tax to property owners as a result of the forced roll in of the tenant business tax into the property tax.

**Misconceptions about the Vacancy Rebate Program**

**Property Owners are Intentionally Leaving Leasable Premises Vacant and Eliminating the Vacancy Rebate will Incent Owners to Pursue Productive Use of Vacant Property**

Even with the Vacancy Rebate program rebates of 30% or 35%, owners of vacant units still pay 65% - 70% of property taxes on that vacant space. It does not make any economic sense that property owners would intentionally keep a premises vacant in order to receive

the rebate rather than lease the space and recover the taxes. The existing legislation provides that the premises be capable of being leased for immediate occupation, undergoing repairs or renovations or was unfit for occupation. In addition to 65% - 70% of property taxes, landlords will also have to absorb operating costs and rent loss on vacant premises which makes it highly unlikely that eliminating the vacancy rebate would be the incentive to pursue productive use of vacant property.

### **MPAC Accounts for Vacancy in Valuations of Commercial and Industrial Property**

MPAC's valuation methodology for commercial and industrial property has not changed since well before the elimination and amalgamation of business tax with property tax in 1998. The allowances provided in MPAC's valuation methodology are based on normal market conditions and represent standard appraisal practice for the valuation of real estate. MPAC's vacancy allowance does not represent the actual vacancy of a property. The Vacancy Rebate is tax policy legislation which recognizes that vacant space never attracted business taxes. Any elimination of the Vacancy Rebate results in a tax increase to owners of non-residential property.

### **Vacancy Rebates Provide Benefits to Land Speculators that have no Intention of Leasing a Premises**

Vacancy Rebate legislation requires that a premises must be capable of being leased for immediate occupation or incapable of being leased for immediate occupation as it was under construction. If landlords are purposefully keeping premises vacant, a municipality may deny their application.

### **Addressing Concerns of Municipalities about the Vacancy Rebate Program**

#### **Three Year Time Limit on Vacancy Rebate for Same Space Vacancy**

A property owner that is perpetually keeping a premises vacant should not be allowed to capitalize on the vacancy rebate program.

We would endorse a change to the program which would place a maximum consecutive term benefit at three years for any premises plus more rigid proof of actively leasing the premises.

#### **Self Funding of the Vacancy Rebate Program through the Commercial/Industrial Classes**

The industry has responded to several municipality's concerns that all property classes fund the vacancy rebate program by recommending a self-funding mechanism through a marginal increase in the commercial/industrial tax rates. This self-funding could also incorporate municipal administrative fees currently associated with the program.

### **Summary Vacancy Rebate**

Ontario's vacancy rebate program was implemented to mitigate the tax increases to property owners as a result of the Province's decision to eliminate and amalgamate business taxes with realty taxes. This amalgamation was neither requested nor endorsed by property owners and the vacancy rebate program was the result of active lobbying by the industry at the time in order to mitigate this increase. Although property owners' tax expense on vacant space increased approximately 45%-50%, the vacancy rebate program allowed a maximum relief of 30-35% and only then if the space was vacant for a minimum of 90 days. Not only did owners assume the responsibility of the collection of the old business tax from the municipalities, they were subject to a tax increase as the vacancy rebate program did not fully compensate for increased taxes on vacant space.

Any movement by the City of Hamilton to eliminate the vacancy rebate program would amount to a tax increase to owners of commercial and industrial property.

Cadillac Fairview believes that the vacancy rebate program is still valid as a tax mitigation tool for owners of vacant commercial premises and that the vacancy rebate provides for an offset of a portion of property taxes that is used to actively market and re-purpose our vacant premises into viable long term tenancies.

The vacancy rebate should be retained by the City of Hamilton, however, we are willing to endorse efforts which would prevent abuses of the program, including term limits on same space vacancy and if necessary, self funding of the program by the non-residential tax classes.

### **Vacancy / Excess Land Subclasses**

Similar to the vacancy rebate, owners of vacant lands in the vacant/excess land sub-classes are entitled to a legislated 30%-35% reduction in property taxes, again to compensate the owner for the business tax that was never levied on vacant land. The elimination of the legislation would result in an increase in property taxes on land held awaiting opportunities for development or expansion. Just as any reduction in the vacancy rebate is tantamount to a de facto property tax increase for vacant space, elimination or reduction in the vacant / excess land subclasses would also increase carrying costs for land awaiting commercial and industrial development / expansion opportunities. This disincentive may result in land developers investing in opportunities in strong growth municipalities where development timelines are short.

## Summary

The City of Hamilton should carefully consider the effect that elimination of the Vacancy Rebate and Vacant and Excess Land Sub-classes policy may have on the economic vitality of the city. Specifically, the de facto property tax increases and carrying costs resulting from the elimination of these bona fide entitlements could mean that some smaller landlords step back from building ownership and acquiring land for future development opportunities and larger landlords review their capital investment opportunities.

Cadillac Fairview, as a major investor in the future of Hamilton strongly urges retention of both of these programs.