



**STAFF REPORT
INFORMATION ONLY**

**Re-designing the Vacant Commercial and Industrial Tax Relief Program to Stimulate Economic Growth –
Supplementary Information on Vacancy Rebate Program**

Date:	April 25, 2014
To:	City Council
From:	General Manager, Economic Development and Culture
Wards:	All
Reference Number:	

SUMMARY

This report provides additional statistical information on Toronto's vacancy rebate program for commercial and industrial properties, including a breakdown of vacancy rebate amounts paid by commercial vs. industrial properties, by property type, and by geographic area. This report is to be considered in conjunction with Item ED30.6: *Re-designing the Vacant Commercial and Industrial Tax Relief Program to Stimulate Economic Growth (Collaborating for Competitiveness, Implementation Action 8)*, and responds to a request from the Economic Development Committee during its consideration of this item on April 16, 2014.

Financial Impact

There are no financial implications arising from this report.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting of April 16, 2014, the Economic Development Committee adopted, with amendments, a staff report from the General Manager, Economic Development and Culture dated March 28, 2014, as Item ED30.6: *Re-designing the Vacant Commercial and Industrial Tax Relief Program to Stimulate Economic Growth (Collaborating for Competitiveness, Implementation Action 8)*. The Committee's decision is available at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.ED30.6>

During its consideration of this item, the Committee requested, among other things, that the General Manager, Economic Development and Culture submit a report to the May 6, 2014 meeting of City Council on a breakdown of vacancy rebate amounts paid by commercial vs. industrial and by geographic area.

ISSUE BACKGROUND

The Property Tax Rebate Program for Vacant Commercial and Industrial Buildings was implemented in Toronto effective January 1, 2001. Providing rebates of property taxes for eligible vacant space within commercial and industrial buildings is a mandatory requirement for municipalities under provincial legislation. In Toronto, the program is governed by Ontario Regulation 121/07 and Section 331 of the *City of Toronto Act 2006*.

The vacancy rebate program provides a rebate of property taxes levied for eligible vacant space within commercial and industrial buildings. The rebate percentage is 30% of the property taxes levied for eligible vacant space within commercial buildings, and 35% for industrial buildings, as set out in the *City of Toronto Act, 2006*. Eligibility criteria and other program requirements for the vacancy rebate program are available at:

<http://www1.toronto.ca/wps/portal/contentonly?vgnextoid=df25ff0e43db1410VgnVCM10000071d60f89RCRD&vgnnextchannel=63b0ff0e43db1410VgnVCM10000071d60f89RCRD&vgnnextfmt=default>

COMMENTS

Revenue Services division staff administer the Property Tax Rebate Program for Vacant Commercial and Industrial Buildings. Property owners must apply annually (or twice annually, if they so choose) to receive the rebate. The application form identifies those portions of the commercial or industrial building that meet the eligibility criteria, including a requirement that the space must have been continuously vacant because it is unused, undergoing repairs and renovation, or unfit for occupation for a minimum period of 90 days or longer during the year.

Attachment 1 to Item ED30.6: *Re-designing the Vacant Commercial and Industrial Tax Relief Program to Stimulate Economic Growth*, provides a summary of the total vacancy rebates paid in each year since 2001, and a breakdown of the municipal portion of the rebates paid and the provincial education portion of the rebates. Attachment 1 identifies that the total rebates (municipal + education portions) paid each year since 2001 range between \$28 and \$38 million, with the exception of taxation years 2012 and 2013, as rebates continue to be actively processed for these years. Rebates payable in 2012 and 2013 are expected to exceed \$40 million once all rebates have been processed for those years.

With 13 years of actual rebate data, i.e., from 2001 to 2013, it is possible to provide statistics on the amounts of rebates paid each year, as well as the breakdown of rebates by commercial vs. industrial properties, by major property type, and by geographic area, as requested by the Economic Development Committee.

Vacancy Rebates - Commercial vs. Industrial Properties

Table 1 below, provides a summary of vacancy rebates provided for each year from 2001 to 2013, showing the total amount of rebates provided, the breakdown between the municipal portion of rebates paid and the provincial education portions, as well as the relative amounts and percentages of the rebates that were paid to commercial and industrial properties in those years.

Table 1
Total Vacancy Rebates Paid – Jan. 1, 2001 – Dec. 31, 2013 and Commercial Vs. Industrial Split

Tax Year	Total Rebate Amounts Paid			Commercial		Industrial	
	City Portion	Education Portion	Total Rebates	Rebates Paid (\$)	% of all rebates	Rebates Paid (\$)	% of all rebates
2001	\$14,198,149	\$13,827,600	\$28,025,749	\$25,758,224	91.9%	\$2,267,525	8.1%
2002	\$14,610,508	\$14,244,685	\$28,855,193	\$26,823,192	93.0%	\$2,032,001	7.0%
2003	\$16,532,624	\$16,120,231	\$32,652,855	\$30,754,602	94.2%	\$1,898,253	5.8%
2004	\$18,989,340	\$15,905,884	\$34,895,224	\$33,059,501	94.7%	\$1,835,723	5.3%
2005	\$17,200,093	\$13,981,967	\$31,182,060	\$29,069,474	93.2%	\$2,112,587	6.8%
2006	\$17,558,717	\$13,992,780	\$31,551,497	\$28,930,064	91.7%	\$2,621,433	8.3%
2007	\$16,940,580	\$13,839,009	\$30,779,589	\$28,404,196	92.3%	\$2,375,393	7.7%
2008	\$15,821,331	\$13,080,296	\$28,901,627	\$26,005,610	90.0%	\$2,896,017	10.0%
2009	\$17,470,994	\$14,557,933	\$32,028,927	\$28,179,634	88.0%	\$3,849,293	12.0%
2010	\$21,210,292	\$17,181,566	\$38,391,858	\$34,698,345	90.4%	\$3,693,513	9.6%
2011	\$19,496,113	\$15,648,972	\$35,145,085	\$31,374,261	89.3%	\$3,770,824	10.7%
2012 ¹	\$7,670,980	\$6,384,536	\$14,055,516	\$11,566,753	82.3%	\$2,488,763	17.7%
2013 ¹	\$58,408	\$49,450	\$107,858	\$87,389	81.0%	\$20,469	19.0%
Total	\$197,758,129	\$168,814,909	\$366,573,038	\$334,711,244	91.3%	\$31,861,794	8.7%

1. Partial-year figures – Figures indicates amounts paid to Dec. 31, 2013, based on applications processed - vacancy rebates will continue to be processed for these and other years.

Table 1 illustrates that, on average, vacant unit rebates paid to commercial properties represent approximately 91.3% of all rebates paid, while industrial rebates represent 8.7 per cent overall.

Vacancy Rebates – By Geographic Location

Table 2 provides a breakdown of commercial and industrial rebates paid for the period from January 1, 2001 to December 31, 2013 by City Ward.

Table 2
Total Commercial and Industrial Vacancy Rebates – Jan. 1, 2001 – Dec. 31, 2013 by Political Ward

Political Ward	Commercial	Industrial	Total	% by Ward of total rebates	No. properties receiving rebates (2001-2013)
1	\$2,918,193	\$836,802	\$3,754,995	1.0%	226
2	\$12,265,796	\$4,398,386	\$16,664,181	4.5%	286
3	\$3,020,253		\$3,020,253	0.8%	35
4	\$809,182		\$809,182	0.2%	21
5	\$10,640,493	\$1,445,685	\$12,086,178	3.3%	328
6	\$4,151,479	\$2,546,998	\$6,698,477	1.8%	329
7	\$5,549,276	\$1,875,233	\$7,424,508	2.0%	361
8	\$6,375,606	\$2,149,343	\$8,524,949	2.3%	351
9	\$1,234,276	\$138,637	\$1,372,913	0.4%	98
10	\$856,924	\$241,519	\$1,098,443	0.3%	69
11	\$3,025,940	\$967,055	\$3,992,995	1.1%	201
12	\$1,681,930	\$1,068,608	\$2,750,538	0.8%	136
13	\$1,618,050	\$73,009	\$1,691,060	0.5%	141
14	\$2,233,256	\$519,133	\$2,752,389	0.8%	226
15	\$4,756,749	\$664,761	\$5,421,509	1.5%	270
16	\$4,253,577		\$4,253,577	1.2%	141
17	\$1,229,974	\$205,474	\$1,435,448	0.4%	197
18	\$2,453,204	\$541,295	\$2,994,498	0.8%	217
19	\$4,824,188	\$634,337	\$5,458,525	1.5%	292
20	\$31,477,172	\$653,979	\$32,131,151	8.8%	703
21	\$901,618		\$901,618	0.2%	104
22	\$12,755,972	\$6,779	\$12,762,751	3.5%	265
23	\$9,495,478		\$9,495,478	2.6%	205
24	\$6,719,111	\$267,950	\$6,987,061	1.9%	78
25	\$5,305,606	\$301,822	\$5,607,428	1.5%	85
26	\$10,155,999	\$851,351	\$11,007,349	3.0%	220
27	\$43,516,411	\$204,346	\$43,720,758	11.9%	526
28	\$82,765,633	\$217,142	\$82,982,775	22.6%	452
29	\$857,429	\$42,615	\$900,044	0.2%	172
30	\$3,758,681	\$1,039,312	\$4,797,993	1.3%	293
31	\$951,536	\$536,752	\$1,488,288	0.4%	166
32	\$1,686,156	\$16,412	\$1,702,569	0.5%	222
33	\$9,538,954	\$17,927	\$9,556,880	2.6%	51
34	\$5,865,938	\$754,509	\$6,620,447	1.8%	181
35	\$3,114,578	\$1,002,123	\$4,116,701	1.1%	206
36	\$1,634,744	\$45,160	\$1,679,904	0.5%	114
37	\$5,078,181	\$2,513,470	\$7,591,651	2.1%	248
38	\$7,351,565	\$328,130	\$7,679,695	2.1%	152
39	\$1,290,844	\$101,147	\$1,391,991	0.4%	106
40	\$2,948,798	\$220,406	\$3,169,204	0.9%	127
41	\$4,947,570	\$1,645,319	\$6,592,889	1.8%	554
42	\$5,696,245	\$2,567,781	\$8,264,026	2.3%	249
43	\$1,130,627		\$1,130,627	0.3%	47
44	\$1,868,057	\$221,087	\$2,089,144	0.6%	63
Total	\$334,711,244	\$31,861,794	\$366,573,038	100.0%	9,514

Table 2 illustrates that the largest percentage of rebates are paid out for properties located in Wards 27 and 28, Toronto Centre-Rosedale, representing 11.9% and 22.6% respectively of all rebates paid over the period 2001 - 2013. These wards represent the central downtown area, which houses the largest concentration of commercial buildings, particularly office buildings, which are most likely to experience vacancies and apply for rebates, as shown in Table 3 below.

Vacancy Rebates – By Major Property Type

Table 3 provides a breakdown of commercial and industrial rebates paid for the period from January 1, 2001 to December 31, 2013 by major property type. Property types have been grouped according to the property code assigned to each property by the Municipal Property Assessment Corporation (MPAC), where the property code identifies the predominant use of the property.

Table 3
Vacancy Rebates – Jan. 1, 2001 – Dec. 31, 2013 by Major Property Type

Property Type (sf = square feet)	# Properties in category (City-wide)	# properties receiving rebates 2001 - 2013	% Properties receiving rebates vs. total # in category	Total Rebates Paid (\$) 2001 - 2013	% of total rebates paid
Commercial					
Neighbourhood Retail w. residential above < 10,000 sf	10,798	1,950	18%	\$6,053,241	1.7%
Small Retail < 10,000 sf	3,225	861	27%	\$7,437,060	2.0%
Large Retail > 10,000 sf	44	22	50%	\$315,855	0.1%
Small Office < 7,500 sf	960	409	43%	\$92,982,608	25.4%
Large Office > 7,500 sf	1,484	832	56%	\$104,683,004	28.6%
Large Office Complex (Multi-Use/Multi-tenant/retail/office/hotel/apartment)	38	38	100%	\$8,234,883	2.2%
Neighbourhood/Community Shopping Centre	130	125	96%	\$11,724,775	3.2%
Large Shopping Centre > 150,000 sf	747	564	76%	\$30,689,440	8.4%
Commercial Condominium	7,355	1,204	16%	\$4,795,117	1.3%
Other Commercial/Industrial uses	n/a	956	n/a	\$29,502,450	8.0%
Industrial					
Large Industrial	40	23	58%	\$2,127,000	0.6%
Standard Industrial	4,262	1,276	30%	\$37,232,990	10.2%
Warehouse/Other Industrial	811	311	38%	\$16,490,891	4.5%
Industrial Condominium	3,777	463	12%	\$979,821	0.3%
Industrial Mall	655	480	73%	\$13,323,904	3.6%
Total:		9,514		\$366,573,038	100.0%

1. Major property types are based on groupings of MPAC's property codes, and are provided for comparative purposes only.

Table 3 illustrates that the largest percentage of vacancy rebates, at 25.4% and 28.6% of all rebates paid, are for small office and large office buildings respectively. These figures may suggest that periods of vacancy of 3 months or longer are experienced more frequently in office buildings, with the changeover of tenants. As office buildings derive their value and profitability from rental income, office building owners are also more likely to closely monitor vacancies, and submit annual vacancy rebate applications as a means of offsetting shortfalls in rental income. Table 3 also identifies that vacancy rebates paid to small neighbourhood retail properties (typically storefront retail with residential units above) account for less than 2% of all rebates paid, yet this type of property numbers the highest, at 1,950 properties, that applied for and received rebates over the period 2001 – 2013.

Vacancy Rebates – By Property Type and Years of Rebate Eligibility

Table 4 provides a count of the number of properties and the number of years for which rebates have been approved for various commercial and industrial property types for the period from January 1, 2001 to December 31, 2013.

Table 4
Vacancy Rebates – Jan. 1, 2001 – Dec. 31, 2013 by Years of Rebate Eligibility

Property Type (sf = square feet)	Number of properties that received vacancy rebates for one or more years between 2001 and 2013				
	1 year only	2 to 4 years	5 to 9 years	10 to 12 years	Total
Commercial					
Neighbourhood Retail w. residential above < 10,000 sf	1,039	771	127	13	1,950
Small Retail < 10,000 sf	357	386	105	13	861
Large Retail > 10,000 sf	2	9	9	2	22
Small Office < 7,500 sf	171	203	31	4	409
Large Office > 7,500 sf	46	192	348	246	832
Large Office Complex (Multi-Use/Multi-tenant/retail/office/hotel/apartment)	4	10	17	7	38
Neighbourhood/Community Shopping Centre	5	30	54	36	125
Large Shopping Centre > 150,000 sf	139	208	163	54	564
Commercial Condominium	620	444	111	29	1,204
Other Commercial/Industrial	461	362	116	17	956
Industrial					
Large Industrial	4	13	5	1	23
Standard Industrial	530	590	126	30	1,276
Warehouse/Other Industrial	89	156	59	7	311
Industrial Condominium	276	159	26	2	463
Industrial Mall	77	161	182	60	480
Total:	3,820	3,694	1,479	521	9,514

Table 4 illustrates that the largest number of properties (3,820) received rebates for only one year, i.e., these properties applied for and qualified to receive rebates in only one year in the period spanning January 2001 to December 2013. The largest component of properties that received rebates for only one year are neighbourhood retail with residential above (i.e., storefront retail) type properties, with 1,039 properties receiving rebates for only one year in the period 2001 – 2013. Only 521 properties (both commercial and industrial) received rebates for 10 to 12 years over this period.

It should be noted that the figures in Table 4 are not based on continuous multi-year periods of vacancy, nor for full years of vacancy – properties may have applied for and received rebates for multiple years for any year during the period 2001 to 2013, but the vacancy rebates paid may or may not have been attributable to continuous periods of vacancy spanning numerous years. Under the current program, a property may also have qualified for a vacancy rebate in any year for which vacancies were experienced for periods of 90 days or longer.

CONTACT

Casey Brendon, Director, Revenue Services
Phone: (416) 392-8065, Fax: (416) 696-4230
E-mail: cbrendo@toronto.ca

SIGNATURE

Michael H. Williams, General Manager
Economic Development & Culture