



**STAFF REPORT
ACTION REQUIRED**

Re-designing the Vacant Commercial and Industrial Tax Relief Program to Stimulate Economic Growth (Collaborating for Competitiveness, Implementation Action 8)

Date:	March 28, 2014
To:	Economic Development Committee
From:	General Manager, Economic Development and Culture Division
Wards:	All Wards
Reference Number:	

SUMMARY

At its meeting of February 20th 2013, City Council in endorsing its new economic growth and job creation strategy, *Collaborating for Competitiveness*, adopted Recommendation C.1.2 directing City staff to request that the Province of Ontario consider amending the legislation governing the Property Tax Rebate for Vacant Commercial and Industrial Buildings that would permit municipal councils to establish graduated vacant unit rebates to induce and incent owners and tenants to meet eligibility criteria that align with the municipalities economic growth and job creation objectives.

As part of the general economic churn businesses open, close, expand, contract and relocate. This ongoing process creates vacant space for periods of time within commercial (including retail) and industrial properties. Some of these spaces remain vacant for a relatively short period of time as owners seek new tenants, renovate or otherwise upgrade their property. However some commercial / industrial space remains vacant for extended periods of time with little apparent activity. Older industrial buildings with lower ceiling heights and short column spans that are no longer desirable for modern manufacturing uses and many retail areas throughout the city have been noticeably impacted by long term vacancies.

In addition to lost revenue to property owners, buildings that remain wholly or partial vacant for long periods of time can, and usually do, have negative impacts on the surrounding business area and community. Municipalities around the world are

implementing creative strategies and programs to bring these spaces back to vibrant economic use.

In Toronto, the current provincially legislated commercial / industrial vacant property tax rebate program provides a rebate to owners of eligible vacant buildings, but does not address the negative impacts on the surrounding businesses and community or provide an incentive to encourage temporary productive uses that would create employment benefiting the property owner, local business area, and community.

Between 2002 and 2013, the City of Toronto rebated approximately \$367 million in property tax revenue (\$198 million representing municipal taxes and \$169 million in education taxes funded by the province) to owners of vacant commercial / industrial space. At the same time rebates are provided for vacant space, there is demand for affordable space to support entrepreneurs and emerging small businesses.

This report recognizes vacant commercial / industrial buildings as under-utilized assets that have the potential to foster job creation and economic growth; discusses creative approaches to re-purposing these spaces to encourage productive employment that would benefit the property owner, local business area, and community; and seeks City Council approval of a framework to guide discussions between City of Toronto and Province of Ontario staff in regard to potential amendments to current legislation and regulations.

RECOMMENDATIONS

The General Manager, Economic Development & Culture Division recommends that City Council:

1. Request the City Manager, Deputy City Manager/Chief Financial Officer, and General Manager, Economic Development and Culture to meet with the appropriate Provincial staff to discuss options, as articulated in this report, to stimulate economic growth and job creation and enhance local retail and employment areas by amending the legislation and/or regulations governing the Vacant Commercial and Industrial Property Tax Rebate program and report back to the Economic Development Committee in the first quarter of 2015;
2. Request the City Manager, Deputy City Manager/Chief Financial Officer, and General Manager, Economic Development and Culture to consult with commercial and industrial property owners and tenants, Business Improvement Area representatives, incubator operators and other affected stakeholders in regard to potential amendments to Provincial legislation and/or regulations and related City policies and/or programs and to include the results of these consultations in the report back to Economic Development Committee referenced in Recommendation #1 above; and

3. Request the City Clerk to forward a copy of this report to the Ontario Minister of Finance, Minister of Economic Development, Trade and Employment, and Minister of Municipal Affairs and Housing, as a basis for a review of the Vacant Commercial / Industrial Property Tax Rebate legislation and regulations.

Financial Impact

There are no immediate financial impacts to the City as a result of the approval of this report.

DECISION HISTORY

City Council at its July 12, 13 and 14, 2011 meeting, referred the following motion by Councillor Mike Layton, seconded by Councillor Mary Fragedakis to the Economic Development Committee:

City Council request the General Manager of Economic Development and Culture to report to the Economic Development Committee at its meeting on January 26, 2012 on the financial impacts of Toronto's current Vacant Commercial Tax Relief program and possible changes required to use this tax incentive program to stimulate economic development, including through an Enterprise Incubation alternative program for small businesses and not-for-profits

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.MM10.10>

At its meeting of September 14th 2011, the Economic Development Committee referred the above motion to the General Manager of Economic Development and Culture Division.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.MM10.10>

At its meeting of February 20th 2013, City Council adopted the recommendations contained in the report entitled *Collaborating for Competitiveness – A Strategic Plan to Accelerate Economic Growth and Job Creation In Toronto*. including the following action:

Action C.1.2:

Request the Province of Ontario to amend legislation respecting the Vacant Unit Rebate provision for commercial and industrial properties to permit municipal councils to establish graduated vacant unit rebates to induce and incent owners and tenants to meet eligibility criteria that align with the municipalities economic growth and job creation objectives; and further, request the General Manager, Economic Development and Culture, to report on options for changes to the Vacant Unit Rebate by the 4th quarter of 2013.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.ED19.4>

ISSUE BACKGROUND

As part of the general economic churn businesses open, close, expand, contract and relocate. This ongoing process creates vacant space for periods of time within commercial (including retail) and industrial properties. Some of these spaces remain vacant for a relatively short period of time as owners seek new tenants; other spaces are vacant for a longer period of time while owners renovate and upgrade their property during these transitions. However some commercial / industrial space remains vacant for extended periods of time with little apparent activity. Economic downturns, advancements in technology and global shifts in production patterns have contributed to some of these longer term vacancies. Some buildings also become obsolete in relation to their initial purpose. For example, older industrial buildings with lower ceiling heights and short column spans are no longer desirable for modern manufacturing uses and tend to stay vacant for longer periods of time. Many retail areas throughout the city have also been noticeably impacted by storefronts remaining vacant for a long time.

In addition to lost revenue to property owners, buildings that remain wholly or partial vacant for long periods of time can, and usually do, have negative impacts on the surrounding business area and community. The provincially legislated commercial / industrial vacant property tax rebate program recognizes and mitigates the financial impact on the property owner, but does not address the negative impacts on the surrounding businesses and community. The challenge is to develop a more holistic approach that balances all interests

This report recognizes vacant commercial / industrial buildings as under-utilized assets that have the potential to foster job creation and economic growth and discusses creative approaches to re-purposing these spaces to encourage productive employment that would benefit the property owner, local business area, and community.

COMMENTS

A. Challenges and Opportunities

Vacant Retail Space – A Municipal Challenge World-wide

Municipalities around the world are experiencing increased vacancies in commercial and industrial buildings. Vacant buildings create several challenges for business areas and municipalities including presenting an image that the local economy is weak or at best unstable. In the absence of a proprietor/tenant responsible for the maintenance and upkeep of the premises, the physical appearance of vacant buildings as well as adjacent sidewalks and landscaped areas, generally deteriorates over time. Vacant buildings can also attract undesirable activities and further destabilize the surrounding area.

Municipalities are taking differing approaches to address the issue of vacant buildings. Washington DC, for example, uses a punitive approach that taxes vacant commercial industrial properties at a higher realty tax rate than occupied properties creating a

financial incentive which encourages property owners to find a productive use for the vacant space.

Alternatively, a growing number of municipalities around the world are turning to their artistic and creative entrepreneur communities to encourage temporary uses in otherwise vacant properties. The approach provides artists and entrepreneurs with lower cost space and the opportunity to develop and showcase their works. It also animates and improves the image and vitality of the local area and discourages negative activities that tend to occur around vacant properties. Property owners benefit from lower costs, increased income and less potential for vandalism, since the artist/entrepreneur tenants are usually responsible for maintenance and the cost of utilities. The property owners also generally retain the option to lease the space to a permanent tenant at any time, with reasonable notice.

Some of these initiatives have been started by local residents groups, businesses owners or philanthropic organizations such as in Newcastle (Australia). Other programs are initiated by municipalities and run through partnerships with Non-Government Organizations (NGOs) such as in San Francisco, Seattle and Berlin (Germany).

Programs to incorporate temporary uses within vacant commercial and industrial properties vary among jurisdictions but share many similar features. Interested owners of vacant properties are matched with approved participants (users) looking for space. The two parties enter into a lease agreement for a specified time period, most commonly month to month. The property owners agree to provide a safe location, pay realty and insurance costs. The tenants/users agree to pay for and complete their own lease hold improvements (which are generally left behind to the benefit of the property owner when the tenant leaves), maintain the property, pay their own utility costs and leave the property in as-good-as or better condition than when they took it over. Agreements generally have clauses that permit the property owner or their representatives to show the building to prospective long-term tenants, as well as, termination clauses that require the building to be vacated within a short time frame if the property owner secures another tenant.

Supporting Small Business and Emerging Entrepreneurs

More than 75% of all business establishments in Toronto have less than 10 employees. They employ approximately 270,000 people and generate an estimated \$18.1 B GDP. These small businesses create jobs, build wealth, and in many cases, lead innovation. Providing the infrastructure to support small business is key to achieving economic growth and stimulating job creation.

Incubators and accelerator programs are important components of the infrastructure required to develop a successful home-grown small business pipeline. Overall, about 30% of business start-ups fail within the first three years and about 50% do not survive year five. Starting and maintaining a small business is fraught with difficulty, not everyone that starts a business is an entrepreneur, not all business ideas are good ideas,

and good entrepreneurs with good ideas often do not have the support system to assist them over the inevitable early year hurdles. Incubator and accelerator clients and graduates, however, have a much higher probability of success. These individuals and firms have been pre-screened by seasoned entrepreneurs before being admitted to a program to ensure they had a viable business idea and plan. Their ideas and plans would then have been market tested during their tenure with the incubator/accelerator. They also benefit from the collaboration, mentorship and networking opportunities provided by the program.

In a recent 2011 study conducted by the US Department of Commerce and Economic Development Administration (EDA), the average five year survival rate for incubator graduates was 75%. Moreover, an estimated 84% of companies that graduate from an incubator stay in the local community. In addition to small business success, incubators have a proven track record for job creation. In a 2009 EDA study, business incubators were found to provide communities with the most effective means of creating jobs, and at less cost than any other type of public works infrastructure project.

The U.S. based National Business Incubation Association (NBIA) estimates that there are approximately 7,000 business incubators operating worldwide. Business incubation programs have existed in North America in one form or another since the 1980s. During the global recession of 2008 - 2010 local governments once again turned to the business incubation concept to stimulate small business growth and re-ignite local economic activity.

There are many successful incubators and accelerators in Toronto. In the Tech sector alone, Digital Media Zone (Ryerson), Digital Media & Gaming Incubator (George Brown College), U-Test (University of Toronto), Creative Destruction Lab (Rotman, UoT), Extreme Start-ups (private) and Kinetic Café (private) to name a few. Other organizations that have used creative ideas to introduce economic activity into once vacant space to support a variety of different sectors include:

- The "Toronto Underground Market" hosted at the Brickworks is providing a space for entrepreneurs in the food services sector to showcase their products, particularly to assist people who are not yet Registered Food Vendors and do not have other options to sell their wares.
- In 2010 the Centre for Social Innovation (CSI) purchased an empty 38,000 square foot building on Bathurst just south of Bloor with the assistance of a loan guarantee provided by the City of Toronto. The building is now CSI's second location and is occupied by for profit and non-profit businesses. CSI provides its tenants access to affordable space in order to test, develop and market their business concept. Once a CSI tenant grows to a point where the business is employing more than four people, the business owners are encouraged to look for another location for their operations. In total CSI now has three locations in the City of Toronto.

- The Scadding Court Marketplace, located on Bathurst just south of Dundas, provides refurbished shipping containers to would be entrepreneurs in order for them to showcase their wares. The marketplace was organized by the Scadding Court Community Centre to strengthen local economic development, provide employment opportunities and neighbourhood safety. The marketplace is now fully licensed to prepare food on site and its tenants take the opportunity to experiment with new recipes promoting foods grown locally.
- The Danforth East Community Association (DECA) - Pop-up Store initiative works to find temporary users for vacant store front properties along the East Danforth. Since October 2012, DECA, has hosted 11 pop-up shops in an effort to revitalize the main commercial strip of their neighbourhood from Main Street to Monarch Park. From real estate agents, to community members, to landlords – the community has positively supported this innovative initiative. Four of these Pop-up stores have gone on to establish themselves as permanent businesses.
- Artscape is a global leader in creative placemaking and has been responsible for many transformative revitalization projects including, Artscape Wychwood Barns, Artscape Distillery Studios, Daniels Spectrum and most recently Artscape Youngplace which converted the vacant former Shaw Street School into a new community cultural hub. Although these are permanent, rather than temporary uses, they demonstrate the positive benefits that result from the creative use of underutilized assets.

Vacant space, particularly storefronts and other high pedestrian traffic areas, can also be used to showcase cultural talent and activities, e.g. temporary art gallery. These types of uses benefit local artists and serve to animate the street. The success of these initiatives serves to attract more entrepreneurs and start-up firms every year. As a result, many Toronto based incubators and business accelerators are at or near capacity. Additional affordable space is required to accommodate the increased demand.

B. Regulatory Regime

Vacant Commercial and Industrial Tax Relief Program

In 1997 the Province of Ontario adopted the "*Fair Municipal Finance Act*" which included significant changes to both the *Ontario Assessment Act* and *Municipal Act*. Among other things the new legislation changed the methodology for assessing property values and the number of property tax classes. Prior to this change, vacant commercial / industrial buildings were assessed at lower values than occupied properties to reflect actual vacancies occurring in a year. Additionally, property owners did not pay the business occupancy portion of property tax for space that was vacant.

In 1998, following enactment of the "*Fair Municipal Finance Act*", commercial and industrial properties were taxed at the same rate as other properties in the same realty tax class regardless of whether the building was occupied or wholly/partially vacant. Owners

of commercial and industrial buildings expressed concern that these changes eliminated the long standing provisions for wholly/partially vacant buildings to be assessed to reflect actual vacancies. In response, the Provincial Government amended the Assessment Act in 2001 to introduce new tax rebate provisions, to be administered by municipalities, to allow owners of eligible vacant commercial / industrial space to apply for and receive a 30% - 35% rebate on their municipal and education property taxes for the vacant portions of the property.

In Toronto, the vacancy rebate program is governed by Ontario Regulation 121/07 and Section 331 of the *City of Toronto Act 2006*. The program recognizes that commercial / industrial buildings that are wholly or partially vacant, undergoing repairs and renovations or are unfit for occupancy generate less revenue for owners than fully occupied buildings. The legislation/regulation provides for owners of eligible vacant commercial or industrial properties to apply for and receive property tax relief through a rebate program administered by municipalities. The amount of the rebate is 30% of the property tax attributed to the eligible vacant space for a commercial property and a rebate of 35% for eligible vacant space in an industrial property.

The Provincial legislation makes the rebate program mandatory and establishes the eligibility requirements and percent of the property tax rebate. Municipalities must grant a rebate to all eligible properties that qualify under the legislative provisions. Municipalities do have powers to determine the processes and documentation they require and the ability to inspect properties to verify information provided on the rebate application forms and to impose fines for false claims and on uncooperative applicants. Municipalities issue the rebate as a credit on the property owner's tax account. This credit can be applied against the outstanding tax liabilities for the property, or if the property owner's tax account is up to date, the rebate can be provided as a refund to the property owner. The City rebates the entire amount, i.e. municipal tax and provincial education tax, and is reimbursed by the Province for the education tax portion.

The legislative provisions allow owners to make up to two applications for a tax year. An application may be submitted for all vacancies that occurred on the property during the entire tax year (any period from January - December) or, one application may be made for the vacancies that occurred during the first six months of the year (any period from Jan - June) and a second application submitted for vacancies that occurred during the last six months of the year (any period from July to December). Rebates are required to be paid within 120 days of the receipt of a completed application.

Property owners may also receive assessment or tax reductions for vacant space through the assessment appeal or tax appeal process.

Toronto Vacant Property Maintenance Standards

The City of Toronto and all Ontario municipalities also have powers under the City of Toronto Act and Municipal Act respectively, to pass by-laws that establish fines for property standards violations. This type of approach establishes a financial incentive that

encourages owners to maintain their property in a state of good repair. The improved appearance may also help owners to secure tenants.

Municipal Licensing & Standards Division staff will be bringing a separate report forward to City Council through the Licensing and Standards Committee on the possibility of introducing a Vacant and Derelict Building By-law.

C. Guiding Principle, Key Elements and Potential Amendments

The City of Toronto administers a number of property tax incentive or rebate programs. The Imagination, Manufacturing, Innovation & Technology (IMIT) Incentive Program, for example, provides grants targeted to stimulating economic growth in specific sectors and to support environmental remediation. These grants generate long term benefits with respect to maintaining the diversity of the economy, increasing employment, and creating opportunities to negotiate community development agreements. The City, and other municipalities in Ontario, are also required to provide property tax rebates to registered charities located in commercial or industrial buildings. In both instances the tax assistance helps achieve a public good.

As shown in Appendix A, between 2002 and 2013, the City of Toronto rebated approximately \$367 million in property tax revenue (\$198 million representing municipal taxes and \$169 million for education taxes which is funded by the province) to property owners of wholly or partially vacant commercial and industrial buildings. The property tax rebate program for vacant commercial and industrial buildings should be redesigned with achieving public good as a guiding principle.

Currently, long term vacant commercial / industrial buildings impose costs and/or negative impacts on property owners, as well as surrounding businesses and neighbourhoods, and both the city and provincial governments. If the Province was to agree to amend the current legislative/regulatory provisions surrounding vacancy rebates, the vacant unit rebate program could be re-designed to foster job creation and economic growth by amending a few key elements. These amendments would recognize vacant commercial / industrial buildings as under-utilized assets and implement a holistic approach that balances the interests of the property owner, local community and municipality.

Key Elements of Existing Rebate Program:

1. **The rebate program is mandatory.** The eligibility criteria and the rebate percentages are set by provincial legislation. The City, and other municipalities, do not have the option to set their own eligibility criteria to address local needs and interests.

2. **The eligibility criteria and rebate percentages apply uniformly to all commercial properties (e.g. storefront retail and high rise office) and to all industrial properties throughout the Province.** Different areas within the city (downtown, inner suburbs), as well as different municipalities within Ontario, have different local circumstances and different priorities.
3. Under the current Commercial and Industrial Property Tax Vacancy program, the eligibility criteria require that all or part of the property must be *vacant/unused* for a *minimum of 90 consecutive days*. Once a space is leased and occupied it is no longer eligible to receive a rebate. To become re-eligible, the space must again be vacant for a minimum of 90 consecutive days. Owners of properties with vacant space who permit artists or entrepreneurs to use this space therefore relinquish the ability to apply for the tax rebate until the space has again been vacant for 90 consecutive days. These criteria mitigate against property owners permitting vacant spaces to be used for short term purposes.
4. **The legislative provisions for vacancy rebates do not specify a time limit,** i.e. owners of eligible properties can apply for and receive a rebate annually until such time as the vacant space is leased.

Potential Amendments:

Suggestions for amending the provincial legislation/regulations could include providing City Council with the flexibility to:

1. **opt-in or opt-out.** Providing Council with the authority to choose to opt-in and continue to participate in the Commercial and Industrial Property Tax Vacancy Rebate program as is, or in some modified form. Alternatively, Council could choose to opt-out and retain the tax revenue and not provide a rebate.
2. **set and adjust the rebate rates.** Providing Council with the authority to set differential rebate **percentages** for commercial and industrial property as it deemed appropriate. Flexibility could also be provided to set and adjust rebates **percentages** within a property class (e.g. to distinguish between commercial retail (storefront) and commercial office space), account for local circumstance and priorities, and/or other criteria that best advances achievement of the City's strategic goals.
3. **set the eligibility criteria, including the option to eliminate the requirement for the space to continue to be vacant beyond the initial 90 day period.** Council could set criteria to align with its goals and objectives, e.g. uses that stimulate economic growth, cultural programs, community development, etc.
4. **set time limits for eligibility.** The rebate program could be designed to focus on assisting property owners through temporary periods of vacancy or transitions, e.g. seeking new tenants and undertaking renovations. The program should not

provide a subsidy for long term vacancies. A time limit, e.g. 1 – 3 years, should be considered.

The above options could be used in combination, e.g. to establish a 3-year, time limited program, with graduated rebates, Year 1: 30%; Year 2: 20%; Year 3: 10% and 0% (no rebate) thereafter.

CONCLUSION

Municipalities around the world are experiencing increased vacancies in commercial and industrial buildings. Long term vacancies, in particular, present challenges for business areas and municipalities including presenting an image that the local economy is weak or at best unstable. These negative impacts impose costs on the surrounding businesses and neighbourhoods, as well as on the city and provincial governments and property owners.

In endorsing the City's new economic growth and job creation strategy, "*Collaborating for Competitiveness*", Council requested the Province of Ontario to amend legislation respecting the vacant unit rebate provision for commercial and industrial properties to permit municipal councils to establish graduated vacant unit rebates to induce and incent owners and tenants to meet eligibility criteria that align with the municipalities economic growth and job creation objectives. Council also requested the General Manager, Economic Development and Culture, to report on options for changes to the vacant unit rebate by the 4th quarter of 2013 (Action C.1.2).

This report discusses some of the approaches other cities use to mitigate the negative impacts and pursue creative ways to stimulate economic growth, job creation and community use of the vacant space. In Ontario, one approach could be to re-design the legislation and regulations governing the property tax rebate program for vacant commercial and industrial buildings to provide incentives for contributing to the achievement of City Council's goals and objectives and to discourage long term vacancies.

Under the current program, the City of Toronto rebated approximately \$367 million in tax revenue to property owners of wholly or partially vacant commercial and industrial buildings (\$198 million representing the municipal share of taxes and \$169 million for education taxes for which the province reimburses the City). This program recognizes and mitigates the financial impact on the property owner, but does not address the negative impacts of long term vacancies on the surrounding businesses and community, or provide incentives to encourage temporary uses that would create productive employment benefiting the property owner, local business area, and community.

Incubators and accelerators to facilitate start-ups and next stage growth of firms, for example, are recognized worldwide for their pivotal role in the business development ecosystem. They advance business formation, create and retain jobs, commercialize technologies, and accelerate the delivery of new products and services to the marketplace by providing the

tools, knowledge, and skills to grow a business. Providing artists and entrepreneurs with lower cost space and the opportunity to develop and showcase their works would also serve to animate and improve the image and vitality of the local area as well as discouraging negative activities that tend to occur around vacant properties.

Similar to other rebate programs administered by the City that help achieve City goals, the vacant commercial and industrial property program can be re-designed to foster job creation and economic growth by amending a few key elements. These amendments would recognize vacant commercial / industrial buildings as under-utilized assets and implement a holistic approach that balances the interests of the property owner, local community and municipality.

This report requests that Council direct the City Manager, Deputy City Manager/Chief Financial Officer, and General Manager, Economic Development and Culture to meet with the appropriate Provincial staff to discuss options, as articulated in this report, to stimulate economic growth and job creation and enhance local retail and employment areas by amending the legislation and/or regulations governing the Vacant Commercial and Industrial Property Tax Rebate program as well as to consult with commercial and industrial property owners and tenants, Business Improvement Area representatives, incubator and accelerator operators, and other affected stakeholders, and report back to the Economic Development Committee in the first quarter of 2015.

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SIGNATURE

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ATTACHMENTS

- Appendix A - Vacant Commercial Industrial Property Rebate Issued by City of Toronto Between 2002 and 2012
- Appendix B - Programs/Initiative in Other Jurisdictions to Revitalize Vacant Commercial / Industrial Properties

Appendix "A"
Vacant Commercial Industrial Property Rebate Issued by City of Toronto
Processed In 2002 through to 2013

The following table shows the amount of vacant property rebates issued by year.

Taxation Year	Amount of Vacant Commercial / Industrial Property Rebate (\$)		
	City Portion	Education Portion	Total Rebate
2001	14,198,149	13,827,600	28,025,749
2002	14,610,508	14,244,685	28,855,193
2003	16,532,624	16,120,231	32,652,855
2004	18,989,340	15,905,884	34,895,224
2005	17,200,093	13,981,967	31,182,060
2006	17,558,717	13,992,780	31,551,497
2007	16,940,580	13,839,009	30,779,589
2008	15,821,331	13,080,296	28,901,627
2009	17,470,994	14,557,933	32,028,927
2010	21,210,292	17,181,566	38,391,858
2011	19,496,113	15,648,972	35,145,085
2012	7,670,980	6,384,536	14,055,516
2013	58,408	49,450	107,858
Grand Total	197,758,129	168,814,909	366,573,038

Note: Total rebates processed to date are subject to change as a result of the processing of pending rebate applications and/or as a result of results of property assessment appeals. Source: City of Toronto Revenue Services

Appendix "B"
**Programs/Initiative in Other Jurisdictions to Revitalize Vacant Commercial /
Industrial Properties**

Municipalities across North America are taking differing approaches in order to deal with vacant commercial industrial properties. The following are selected examples of initiatives and policies underway in various North American municipalities.

Chicago

The City of Chicago requires that the owners of vacant properties register their property with the City within 30 days of it becoming vacant and pay a registration fee of \$250 per property. The registration is valid for six months after which, if the property is still vacant then the owner must renew their registration and continue to renew their registration every six months as long as the property is vacant. The property owner is charged a fee of \$250 per property for each renewal.

The owner of any building that has become vacant shall within 30 days acquire or otherwise maintain liability insurance. In the case of vacant commercial / industrial properties the owner must provide proof to the city that they have liability insurance in the amount of no less than \$1,000,000.

The City also requires that vacant properties are maintained to a legislated standard. If a property owner does not maintain their property to the City standard then they are issued a notice of violation. The property owner must within 15 days of the notice must undertake or complete the required work at their own expense. If the property owner does not comply with the work notice after 15 days the City will undertake the required work and the cost will be charged back to the property owner as a lien on the property. The property owner can also be fined between \$200 and \$1,000 per day; for each day from the 16th day after the notice has been given until the required work is completed.

In July 2011, the City of Chicago amended the Vacant Building Ordinance to include "mortgagees" in the definition of "owners". The Ordinance is now applicable to mortgagees prior to the transfer of ownership through foreclosure.

San Francisco

The City of San Francisco Vacant / Abandoned Building Ordinance requires owners of vacant buildings to register their property with the City within 30 days of the property becoming vacant and renew their registration each year as long as the property is vacant. Owners of vacant properties must pay an annual registration and renewal fee of \$765.

The owner is required to submit: owner and agent contact information; describing how property has been secured against unauthorized entry; designating any future plans for the property; and providing fire and liability insurance coverage information as posted public disclosure.

The property owner must maintain, at their own expense, the buildings interior and exterior to a standard as indicated in various city property ordinances.

The owner must also post a sign at the front of the building or property in a conspicuous location protected from the weather that provides the current name, address and phone number of the owner of record and authorized agent, if different from owner. If a notice of default or foreclosure has been recorded for the property, the lender's name, address and telephone number must also be provided.

Failure to meet any of the required provisions stated in this ordinance will lead to a fine up to \$6,889 plus any other applicable fines state in relevant city ordinances.

Washington D.C.

The District has for some time now kept a Vacant Properties Registry and taxed vacant properties at higher tax rates.

All owners of vacant real property (buildings and land) must register their property by law with the District government. Failure to do so can result in a fine or criminal prosecution. Property owners must pay a registration fee of \$250 per property and an annual renewal fee of \$250 per property for as long as the property is vacant.

In October 2010 the District created two new tax classes (3 and 4) that apply to vacant properties. Properties that fall into these classes are taxed at higher rates than other property classes. Vacant properties that are not eligible for any exemptions are tax at the tax class 3 rate of \$5 per \$100 of assessed value. Vacant properties that have been designated as "blighted" by the District are taxed at the class 4 tax rate at \$10 per \$100 of assessed value. For example a vacant industrial property assessed at \$3 million will pay \$150,000 in property tax; while an occupied industrial building assess at \$3 million will only pay \$49,500.

The District has also established "Vacant Building Maintenance" standards. Vacant property owners must ensure, at their own expense, that their properties are maintained at the District's standards. Failure to comply with the District's maintenance standards may result in a fine of up to \$2,000 per violation, on top of which the property owner must pay the cost to any work required by the District.

Winnipeg

In July 2010 City Council passes the 9 point "Vacant Building Strategy" designed to:

- streamline vacant residential and commercial property inspections and enhance inspection capacity
- reduce the maximum time for boarding vacant residential buildings to one year (as opposed to 3 six-month permits allowed within a 5-year period)

- shorten the ‘Taking Title Without Compensation’ (link to shortened ttwc process)
- strengthen enforcement activities (i.e., fines, no-occupancy orders, and remediation activity including property demolition)

The Vacant Buildings Program targets vacant buildings that are dilapidated, dangerous, improperly secured, subject to public complaints, and that have been vacant for extended periods of time.

As part of the strategy City Council also approved a "Vacant Buildings" By-law intended to:

- reduce the risk of fire
- reduce safety hazards for firefighters and emergency personnel (i.e., gaping holes in floors, broken steps, etc.)
- reduce urban blight
- contribute positively to neighbourhood renewal by discouraging vacant buildings to remain inactive for extended periods of time
- reduce illegal activities
- ensure vacant buildings are brought to habitable standards prior to occupancy.

The Vacant Building by-law requires that all vacant residential or commercial buildings are properly secured according to City standards. If a building becomes vacant and the owner of the property does not undertake any renovation or actions to property secure the building than the City can order an inspection under the Vacant Building By-law.

Annual inspection Fees for both vacant Residential and Commercial Properties are:

- \$1,000 if a repair order is issued
- \$500 if a repair order is not issued

The following are the permit cost and fees for vacant commercial properties that require a Boarding Permit:

First permit	\$2,000
Second permit	\$3,500
Third permit	\$5,000
Fourth permit	\$6,500
Each subsequent year increase	\$1,500

A \$1,000 penalty will be applied in all cases for owners who do not obtain Boarded Building Permits when required. The fee for the applicable permit and the penalty will be added to the property taxes.

If a building becomes vacant and requires legitimate construction/renovation work the property owner can apply for a "Boarded Building Exemption Certificate". This allows

the building to be boarded without the Boarded Building Permit fee or permit itself. There is no charge for this certificate.

In order to be given consideration for an exemption certificate, an owner must apply in writing by submitting a letter of undertaking that contains and/or addresses the following requirements:

1. A definitive statement/commitment that the building will be renovated to at least a state of compliance with the minimum requirements of the By-law; preferably to re-occupancy standards.
2. Contain a time frame for the renovation work; both start and completion. The time frame for the renovation must be reasonable to the extent of the work required to bring the building into compliance or to occupancy standards.
3. Any required approvals and permits such as building, electrical and plumbing, are obtained.
4. Once permits are obtained, active work commences and continues steadily and at a reasonable pace to completion.
5. Any and all work is done in a manner accepted as good workmanship in the trade concerned, using materials suitable/approved.

A Boarded Building Exemption Certificate can be revoked if, in the opinion of the Administrator, adequate construction progress is not being made and / or the nature of the work no longer necessitates the building to be boarded. penalty of \$1000 will be applied in addition to the Boarded Building Permit fee if a property owner is ordered to acquire a Boarded Building Permit. Additionally, if the City takes out a Boarded Building Permit on behalf of the property owner due to non-compliance with an Order, additional administrative time (minimum \$100) will be charged.

If the owner of a non-compliant vacant building fails to comply with an order to clean up the property, fix up the building, take out a Boarded Building Permit or otherwise comply with the By-law, the City is entitled to remediate the non-compliance (including demolishing the building) of the property at the owner's expense. The Public Service will engage in remediation when it makes sense to do so (i.e., to alleviate dangerous situations, when a Boarded Building Permit needs to be taken out, when minimal expenditures can have a large positive impact on the community, and when the costs are likely to be recovered from the owner). When remediation takes place, these costs (including \$75/hr costs for arranging remedial action) will be added to the taxes on the property.