

Attachment 3: Summary of Stakeholder Consultations

Further to the direction of City Council, staff undertook a stakeholder consultation process to request feedback from stakeholders how the elimination of the Vacant Commercial and Industrial Unit Rebate program. In order to maximize efficiency, staff also requested stakeholders to provide feedback on the potential impact on the elimination of the Vacant/Excess Land Subclass Tax Reduction program.

The consultation process comprised of three phases consisting of meetings with representatives from large commercial and industrial property owners, along with representatives from City's Business Improvement Areas, public consultation sessions open to all interested parties and an on-line survey available through the City's web site. Stakeholders were able to complete the survey between April 11 and April 21. Feedback was received from a wide range of stakeholders ranging from commercial/industrial property owners, the business community at large, non-profit organizations, the arts and culture community and city residents.

Detailed Feedback - VUR

Stakeholders representing large commercial property owners provided the following feedback:

- Stakeholders expressed surprise on the sudden decision from City Council to eliminate the VUR without opportunity to provide feedback.
- Other municipalities are considering other options for example the City of Ottawa is examining the possibility of eliminating the VUR program over three years.
- Currently tenants do not pay for vacant space, that cost is fully absorbed by the property owner and the property owners depend on the VUR to off-set these costs.
- Stakeholders expressed the view that the elimination of the VUR is seen as a tax increase.
- In the short-term the added cost from the elimination of the VUR will be paid by property owners, however in the long-term some property owners may flow the added cost through to tenants.
- Stakeholders felt that the elimination of the VUR will not resolve the issue the City has with chronically vacant properties.
- Given the cyclical nature of the real estate market, concern was expressed as to what will happen in the future when office vacancy rates rise i.e. will City Council re-instate the VUR?
- The City's decision to eliminate the VUR by January 2018 does not provide sufficient time for property owners to set aside reserve funds to absorb the fiscal impact.
- Property owners will absorb the added cost due to the elimination of the VUR by reducing discretionary spending, delaying future developments and perhaps reducing jobs.

Stakeholder representing industrial property owners provided the following feedback:

- Rebate program has real value because it encourages companies experiencing slow business cycles to keep buildings intact rather than demolish them which means that manufacturing will not occur again on that site. Further, the program encourages companies that plan to grow to buy a large site and hold on to part of it for later use.
- Industrial landowners may own multiple properties – once vacant, options are to demolish building (which can include costs to the owner), or retain and look for new tenants.
- Industrial buildings cannot be replicated in most areas of the City. If owners lose the opportunity to lease their space and cannot hold the building for future use then the building will likely be reused for office or retail purposes.
- Industrial malls can act as incubators in many cases providing smaller spaces that are suitable for new start-up manufacturers. They experience high turn-over and thus depend on the VUR to off-set their holding costs.
- Potential impacts – if owners were not to receive rebates, owners would be required to absorb costs, through reducing expenditures (maybe cutting staff positions).
- Industrial properties are often harder to rent (due to purpose-built nature of industrial operations) and can remain vacant for longer periods.
- Land use permissions are very important and investors buy vacant industrial buildings in order to have the space available for a future use. Eliminating the VUR would increase the cost of preserving industrial space.
- Stakeholders suggested that any cost savings associated with the elimination of the VUR be put towards lessening the tax burden or tax reduction.

Stakeholders representing Business Improvement Areas (BIA) provided the following feedback:

- Some BIAs believe the VUR contributes to owners being able to keep their storefront vacant.
- Some developers assemble storefront properties for future development and want to keep these properties vacant until they receive the appropriate approvals to proceed with their projects.
- Small investors generally take 6-12 months to find a reliable tenant for their store.
- Few small investors take advantage of the VUR program, one reason for this is the time and resources required to work through the application process.
- Landlords allow "demolition by neglect", charging massive rents while using the VUR to offset holding costs as they wait for development opportunities.
- The funds currently used to pay for the VUR program would be better used in programs that encourage neighbourhood revitalization and mitigating impacts of municipal construction projects to street front businesses i.e. helping businesses impacted by the construction of the Eglinton Crosstown LRT line.
- Stakeholders also proposed redirecting savings realized by the elimination of the VUR to BIAs with provision that funds be used for special events and art/cultural development.

- Stakeholders were also in favour of providing incentives that would support or encourage "Pop-Up" occupation by arts tenants.

Toronto residents and representatives from the arts and non-profit communities indicated strong support for eliminating the VUR program and re-investing the funds to programs that would revitalize neighbourhoods. Strong support was also received to provide incentive programs that would provide low cost space for the arts, non-profit and business start-up uses.

Detailed Feedback - Potential Elimination of the Vacant/Excess Lands Tax Reduction (VLTR) Program

Stakeholders provided the following feedback on the potential elimination of the VLTR:

- Increased cost to commercial developers.
- New construction/new development bring vibrancy to the City.
- MPAC values vacant land as highest and best use – vacant land values are extremely high – Assessment increases can put tenants out of business.
- Manufacturers buy oversized sites in order to have space to expand their operations in the future and rely on the reduced tax rate for vacant/excess land to reduce their holding costs.
- Property owners invest in vacant industrial land as a method of protecting themselves from speculators and keep industrial land for manufacturing uses.
- Industrial lands may be scarcer to find for rent/ownership. Railway operations are land intensive operations and require large tracts of vacant land.
- Stakeholders expressed concern that eliminating the tax reduction program may put added pressure to rezone industrial land for non-manufacturing purposes and that this will reduce land stock that can accommodate employment uses.
- Eliminating the vacant/excess land tax reduction program will not alter the land requirements of the railway industry.
- Eliminating the tax reduction program will have a negative impact on railway industry and may result in higher costs being passed on to customers.