

Report To:	Regional Chair and Members of Regional Council
From:	Cyndy Winslow, Commissioner, Finance and Regional Treasurer
Date:	November 22, 2023
Report No:	FN-41-23
Re:	Optional Vacant Homes Tax in Halton Region Update

## RECOMMENDATION

THAT Report No. FN-41-23 re: "Optional Vacant Homes Tax in Halton Region Update" be received for information.

## REPORT

### **Executive Summary**

- On April 20, 2022, staff provided Regional Council with a Vacant Homes Tax feasibility assessment completed by Ernst & Young LLP through Report No. FN-15-22 (re: Optional Vacant Homes Tax in Halton Region). Regional Council authorized staff to proceed with a design and implementation study of a proposed Vacant Homes Tax (VHT) in Halton Region, which included undertaking a public engagement to obtain input and feedback from Halton residents and stakeholders.
- On November 28, 2022, the Province announced that they would establish a Provincial-Municipal working group to consult on a Provincial Policy Framework, which will set out the key elements of local vacant home taxes, and facilitate the sharing of information and best practices.
- This report provides Council with an update on the work undertaken to date to develop a proposed VHT Program Framework for Halton Region, including the results from the public engagement.

### **Background**

On May 17, 2017, *Bill 127 – Stronger, Healthier Ontario Act (Budget Measures), 2017*, received Royal Assent and amended and repealed various legislation to implement the measures in the 2017 Ontario Budget, including the Fair Housing Plan. The *Municipal*

*Act, 2001* (the Act) was also amended and Part IX.1 Optional Tax on Vacant Residential Units was introduced. Under this legislation, interested municipalities may seek designation status from the Minister of Finance to be granted the authority to tax vacant residential units in certain circumstances.

Under section 338.2 of the Act, designated municipalities in Ontario can impose a tax on vacant residential units that meet the criteria established by the municipality. Once designated, Council has the authority to pass a by-law to impose a VHT on the assessed value of a vacant home in the residential property class. The by-law must contain the applicable tax rate and the conditions of a vacancy that, if met, make a unit subject to the tax. The by-law may also contain possible exemptions from the tax, rebates, audit and inspection powers and a dispute resolution mechanism.

The Act preserves the right of the Minister of Finance to make regulations pertaining to the tax, including any conditions or limits on how the tax is imposed, defining a vacant unit, governing the collection of a tax, and dispute resolution.

On April 20, 2022, through Report No. FN-15-22, staff provided Regional Council with a feasibility assessment completed by Ernst & Young LLP on a potential VHT in Halton Region. Council approved proceeding with the next steps to develop a proposed VHT Program Framework for Halton Region, with the engagement of a third-party consultant, which began with public engagement to obtain input and feedback from Halton residents and stakeholders, followed by a design and implementation study, to develop the proposed VHT Program Framework for Halton Region.

## **Discussion**

### **Public Engagement**

During November 2022, with support from Municipal Tax Equity (MTE) Consultants Inc., staff undertook public engagement to obtain feedback from Halton residents and stakeholders on a potential VHT in Halton Region. The public engagement consisted of an online public survey and two public consultation webinars. Residents were also able to submit feedback or questions by calling Access Halton (311) or submitting an email through [VacantHomesTax@halton.ca](mailto:VacantHomesTax@halton.ca). The summarized results of the public engagement are attached to this report (Attachment #1 – Public Engagement Results) from MTE.

### Survey Highlights

A communications strategy was developed to bring awareness to residents of the opportunity for public engagement. Communications activities included Google ads, social media, media releases, mobile road signs, and a dedicated webpage on Halton.ca.

The survey consisted of 16 questions and was available throughout the month of November 2022. The questions were a mix of yes or no and multiple choice, with some

questions providing the opportunity to provide additional input using text boxes. Each question was optional.

A total of 1,578 survey responses were received and 2,383 comments were provided with the following themes:

### ***Housing Supply***

- 53.7% of respondents agreed or strongly agreed that a significant number of vacant homes are contributing to a housing shortage in Halton, while 18.9% disagreed or strongly disagreed.
- 75.5% of respondents agreed or strongly agreed that a vacant homes tax could encourage owners to rent or sell their vacant residential properties, while 16.9% disagreed or strongly disagreed.
- Some respondents commented that the revenue raised must be used for affordable housing.

### ***Vacant Homes Tax Rate & Vacancy Duration***

- When asked their opinion on the tax rate:
  - The majority of respondents (46.6%) supported a tax rate of 5% or more
  - 15.5% of respondents supported a tax rate of 3%
  - 13.2% of respondents supported a tax rate of 1%
  - 6.0% of respondents supported a tax rate of less than 1%
  - 15.0% of respondents supported no tax
  - Some respondents commented suggesting rates of 25% or more, variance or progressive tax schemes and a tax exclusively on foreign ownership.
- When asked their opinion on how long a property should be vacant for it to be eligible for the tax:
  - The majority of respondents (34%) supported a vacancy duration of 6 months
  - 17.5% of respondents supported 3 months
  - 16.3% of respondents supported 12 months
  - 14.8% of respondents supported 9 months
  - 13.4% of respondents supported 18 months

### ***Declaration Method***

- The majority of respondents (61.9%) supported a universal declaration model where all residential property owners would be required to declare their occupancy status.
- 32.1% of respondents supported a self-declaration model, where only the owners of properties that are eligible to be taxed as vacant would be required to make declarations.
- 73.3% of respondents were also in support of a process for neighbours or municipal staff to report suspected vacant homes. Respondents who supported having the option stated that residents would be most aware of vacant homes and those with vacant homes could evade the tax.

- Some respondents were cautiously supportive of a municipal staff or neighbour reporting process, suggesting that only municipal staff should report on suspected vacant homes, citing concerns over the risk of false reports.

### ***Exemptions to the Vacant Homes Tax***

- The survey provided a list of exemptions that respondents could choose to support, based on exemptions provided in other municipalities. Support for the proposed exemptions is outlined in the table below:

<b>Exemption</b>	<b>% in Favour</b>
Property in Development	74.9%
Resident(s) Absent for Medical Reasons	74.0%
Property Undergoing Renovations	70.8%
Only Resident is Deceased	68.4%
Court Order Preventing Occupancy	62.2%
Resident(s) Absent for Travel	62.0%
Property Listed for Sale or Rent	58.4%
Property Recently Sold or Transferred	45.8%
Property is Uninhabitable	42.4%
Property Used as Short Term Rental	23.8%

- Exemptions for snowbirds, owners in long-term care, owners that travel for work frequently, properties in an estate settlement and rental properties that were between tenants were also suggested by respondents.
- Respondents suggested that exemptions should be limited, citing that there may be too many loopholes to evade the tax.
- Commenters suggested that exemptions should be given reasonable time limits to prevent abuse.

Overall, the respondents of the survey that favoured the vacant homes tax noted that it would improve the property standards in neighbourhoods, reduce foreign ownership and reduce short-term rentals. However, some respondents expressed extreme concern with being compelled to take on tenants given delays and backlog issues with the Ontario Landlord and Tenant Board and the lack of protection for landlords renting out their property. Respondents opposed to the tax also commented that they felt there was a lack of justification for the tax, and the tax was too administratively burdensome and could be too easily evaded to be worthwhile.

### Webinar Highlights

The webinars were held virtually on Tuesday November 15<sup>th</sup> 2022 and Wednesday November 23<sup>rd</sup> 2022 between 6:30 pm and 7:30 pm. Both webinars consisted of a presentation with polling questions and a Question & Answer period at the end. The November 15<sup>th</sup> session had 5 attendees and the November 23<sup>rd</sup> session had 17 attendees.

The following are the combined results from the poll questions from both webinars:

- When asked if vacant homes are contributing to a housing shortage:
  - 27% of poll respondents strongly agreed/agreed
  - 33% strongly disagreed/disagreed, and
  - 40% neither agreed nor disagreed.
- When asked about exemptions for properties sold/listed, secondary homes, short-term rentals, uninhabitable properties, and property owners incapable of occupying their home due to long-term care or illness, 82% of respondents supported all proposed exemptions.
- When asked about preference for declaring occupancy status, 53% of poll respondents preferred the universal declaration method, while 47% preferred the self-declaration method.
- When asked their opinion on tax rate:
  - 47% of respondents selected a rate of 1%
  - 27% selected a tax rate of 3%
  - 20% selected a tax rate of 0.5% and
  - 7% selected a tax rate of 5%.

During the Question & Answer periods, attendees shared a number of concerns related to the tax. A common concern related to the cost of administering the program versus the benefit of the VHT. Some attendees questioned if vacant homes were a significant issue in Halton, and if the VHT would increase the housing supply. There were concerns raised about how a potential shortfall would be funded if the costs exceeded the revenue raised. Some attendees commented that the Region should focus on supply issues, which they perceived as being caused by developers. Several comments were made on the possibility of the VHT infringing on property rights and whether the Region has the legislative authority to impose the tax.

### **Design and Implementation Study**

In Ontario's 2022 Budget released on April 28, 2022, it was noted that the Province would be working with municipalities to facilitate the sharing of information and best practices, as well as explore opportunities to enhance the existing legislative framework for vacant home taxes. On November 28, 2022, the Province announced that a Provincial-Municipal working group would be established to consult on a Provincial Policy Framework, which will set out the key elements of local vacant home taxes. The Provincial Policy Framework will be released both as a Policy Document and Minister of Finance regulation covering mandatory elements.

At the time of finalizing this report, the Provincial Policy Framework has not been released. The Design and Implementation study is dependent on the Provincial Policy Framework as Halton Region's proposed VHT Program Framework will include a vacancy definition, eligible property types, the tax rate and exemptions. Without the Provincial Policy Framework, there is a risk of designing a framework that is not consistent with provincial regulations.

As such, staff continue to work closely with the area Treasurers and local tax teams on developing the proposed processes for receiving declarations, audit and compliance, handling appeals and complaints, and billing and collecting the VHT, incorporating the feedback and input received from Halton residents and stakeholders throughout the public engagement process. The financial analysis will be updated to reflect the implementation plan including resourcing, one-time and ongoing costs.

### **Municipal Scan**

The following table highlights all of the jurisdictions across Ontario that have implemented the tax, are considering implementation or have opted not to implement the VHT. At the time of writing this report, three municipalities have received provincial designation to implement a VHT.

Municipality	Feasibility Study	Framework Approval	Minister of Finance Approval	Effective Date	Tax Collection Year
City of Toronto	2017 – 2021	December 2021	Not Applicable*	2022	2023
City of Ottawa	2020 – 2021	March 2022	May 2022	2022	2023
City of Hamilton	2019 – 2022	February 2022	May 2022	2022	2024
City of Guelph	The City of Guelph took a report to their council on September 22, 2023, recommending not to move forward with the vacant homes tax, citing that it was unlikely to generate either the necessary revenue gains or fulfill the City’s anticipated policy and economic goals.				
Peel Region	On June 6, 2023, the Province passed Bill 112, <i>The Hazel McCallion Act, 2023</i> , which will dissolve Peel Region on January 1, 2025. On July 6, 2023, Peel Region paused the vacant homes tax implementation due to the uncertainty of Bill 112.				
Niagara Region	Niagara Region did not implement a vacant home tax, rather it was determined that the Local Area Municipalities were more suited to develop and implement the tax policy. To date, the City of St. Catharine’s has reported to be investigating the VHT.				
Waterloo Region	Waterloo Region decided not to take a Regional program to their Council. The City of Kitchener undertook a feasibility study for their local municipality only. Based on the results of the study, Kitchener decided not to move forward.				
York Region	On May 4, 2023 York Region approved the deferral of the Vacant Home Tax to ensure alignment with the Provincial Policy Framework and the use of more updated cost and benefit estimates based on the current economic and legislative environment.				
Durham Region	Based on a review of water consumption data, there does not appear to be a significant number of vacant residential properties in the Region (under 0.4%) to warrant the administrative costs of developing and implementing a vacant home property tax in Durham at this time.				
Halton Region**	2021 - 2022	Projected 2024	Projected 2024	To be Determined	To be Determined

\* The Provincial government amended *The City of Toronto Act, 2006*, in 2017 allowing the City of Toronto to impose an optional tax on vacant residential units

\*\*Timing is dependent on the release of the Provincial Policy Framework.

## Next Steps

Staff will continue working closely with the Local Municipalities and anticipate bringing forward the potential Halton Region VHT Program Framework for Regional Council’s consideration in 2024, pending timely release of the Provincial Policy Framework. Staff will update Council with a projected timeline for implementing a VHT in Halton Region once the Provincial Policy Framework is released.

FINANCIAL/PROGRAM IMPLICATIONS

There are no direct financial implications as a result of this report.

Respectfully submitted,



Debbie Symons  
Director, Budgets and Tax Policy



Cyndy Winslow  
Commissioner, Finance and Regional  
Treasurer

Approved by



Jane MacCaskill  
Chief Administrative Officer

If you have any questions on the content of this report,  
please contact:

Debbie Symons

Tel. # 7155

Attachments: Attachment #1 – Municipal Tax Equity (MTE) Consultants Inc. Summary Report – Vacant  
Homes Tax Survey & On-line Public Engagement Sessions