

Report To:	Regional Chair and Members of Regional Council
From:	Cyndy Winslow, Commissioner, Finance and Regional Treasurer
Date:	April 17, 2024
Report No.:	FN-12-24
Re:	Update on the Optional Vacant Homes Tax in Halton Region – Provincial Policy Framework Released

Recommendation

THAT staff be authorized to resume work on the study of an optional Vacant Homes Tax program in Halton Region and report back to Council in the Fall of 2024, as set out in Report No. FN-12-24 re: “Update on the Optional Vacant Homes Tax in Halton Region – Provincial Policy Framework Released”.

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 the 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 would set out the key elements of local vacant home taxes, and facilitate the sharing of information and best practices.
- On November 22, 2023, through Report No. FN-41-23 re: “Optional Vacant Homes Tax in Halton Region Update”, staff provided 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. At the November 22, 2023 Regional Council meeting, Council passed a motion to amend the report recommendations in Report No. FN-41-23, which included direction to staff to pause the VHT work and for staff to report back to Regional Council once the Provincial Policy Framework is released, or as part of the 2024 Tax Policy report, whichever comes first.

- On March 27, 2024, the Provincial Policy Framework was released, which provides guidelines and recommendations for municipal Vacant Home Taxes.
- With the release of the Provincial Policy Framework, Council authorization is required to resume work on the study of an optional Vacant Homes Tax in Halton Region. If this report is approved, staff will resume work on the study, working closely with the Local Municipalities. Staff will review the Provincial Policy Framework and complete the study, with the assistance of an external consultant, and report back to Council in the Fall of 2024.

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 were able to seek designation status from the Minister of Finance to be granted the authority to tax vacant residential units in certain circumstances.

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 study, to develop the proposed VHT Program Framework for Halton Region.

On November 28, 2022, the Province announced that they would establish a Provincial-Municipal working group to consult on a Provincial Policy Framework, which would set out the key elements of local vacant home taxes, and facilitate the sharing of information and best practices.

On November 22, 2023, through Report No. FN-41-23 re: “Optional Vacant Homes Tax in Halton Region Update”, staff provided 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. The 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 Regional program that is not consistent with the Provincial Policy Framework. At the November 22, 2023 Regional Council meeting, Council passed a motion to amend the report recommendations and directed staff to pause the VHT work and for staff to report back to Regional Council once the

related Provincial Policy Framework is released, or as part of the 2024 Tax Policy report, whichever comes first

In the *2024 Ontario Budget*, released on March 26, 2024, the Province announced the release of the new Provincial Policy Framework to support municipalities by setting out best practices for implementing a Vacant Homes Tax. The Province also announced that it is extending authority broadly to all single- and upper-tier municipalities to impose a municipal tax on vacant homes. Ontario Regulation 143/24 which amends O. Reg. 458/22, released on March 27, 2024, provides authority to all single- and upper-tier municipalities to implement municipal Vacant Home Taxes.

Discussion

On March 27, 2024, the Provincial Policy Framework was released, which provides guidelines and recommendations for municipal Vacant Home Taxes. For municipalities that choose to implement a Vacant Home Tax, the Province expects that they follow the policy intent and recommendations as a measure to increase the supply of housing available in their respective jurisdictions. The framework does not introduce any new requirements related to municipal Vacant Home Taxes.

Provincial Policy Framework

The [Provincial Policy Framework](https://www.ontario.ca/page/municipal-vacant-home-tax#section-2) (<https://www.ontario.ca/page/municipal-vacant-home-tax#section-2>) contains the following elements;

Recommended exemptions and definition of vacancy

The *Municipal Act, 2001* states that municipal Vacant Home Taxes may apply to residential units that are classified in the residential property class under the *Assessment Act* and are taxable under that act for municipal purposes. Vacant Home Taxes are taxes on assessed value collected under Part X of the *Municipal Act, 2001*.

The framework recommends the following:

- only self-contained residential units that are suitable for residential habitation be subject to Vacant Home Taxes
- no Vacant Home Tax be payable by a property if any of the following circumstances apply:
 - It is a principal residence.
 - It is rented out and occupied as a residence by a tenant for at least 6 months of a taxation year.

- It was owned by a registered property owner who has died in the applicable reference (occupancy) year / tax year.
- It is owned by a registered property owner who is in care (for example, institutionalized or hospitalized).
- Ownership of the property was transferred in the reference year / tax year.
- It is undergoing major redevelopment or renovations that, in the judgement of the municipality, are being pursued within a reasonable timeframe.
- It is subject to a court or municipal order prohibiting occupancy and the owner has made reasonable efforts to remedy the circumstances that led to the order.
- It is a seasonal property.
- It is otherwise uninhabitable for reasons beyond the owner's control.
- Other circumstances identified by a municipality as representing an appropriate use of a residential property (for example, a municipality may wish to exempt properties required for occupation for employment purposes).

Tax rate

Neither the applicable legislation nor the Provincial Policy Framework set out any requirements related to the tax rate for Vacant Home Taxes. The province indicates that it will work with municipalities to explore ways of identifying foreign-owned vacant homes, and encourage imposing a higher Vacant Home Tax rate on such properties.

Tax year, tax collection and administration

The framework recommends that a municipality imposing a Vacant Home Tax should establish a process for confirming the occupancy status of properties in the reference year. Vacant Home Taxes should be imposed on the Current Value Assessment of properties in the reference year during which occupancy status is determined.

Appeals and dispute resolution

The framework recommends that a municipality imposing a Vacant Home Tax should establish processes for appeals and dispute resolution related to the imposition of Vacant Home Taxes.

Public consultations

The framework recommends that a municipality seeking to impose a Vacant Home Tax should conduct consultations on the implementation of potential Vacant Home Taxes. It is further recommended that the feedback received and results of these consultations be shared with the province to help inform best practices going forward.

Annual reporting

In order to support evidence-based evaluation of outcomes, the framework recommends that a municipality imposing a Vacant Home Tax should include data related to its Vacant Home Tax in its annual Financial Information Return (FIR). The FIR provides a standardized reporting of a municipality's financial activities in the previous fiscal year (January to December) and must be submitted by municipalities annually to the Ministry of Municipal Affairs and Housing.

Upper tier and lower tier responsibilities

In the case of municipalities with an upper tier and lower tier system of government, as is the case in Halton Region, the framework recommends as a best practice that:

- upper tiers receive supportive statements or endorsements from lower tiers, including approaches to ensuring that lower tiers will be able to retain revenues sufficient to offset their costs of Vacant Home Tax collection and administration
- upper tiers be responsible for setting out key aspects of a Vacant Home Tax, such as rates and definition of vacancy
- upper tiers adopt Vacant Home Tax bylaws that specify in which lower tiers the Vacant Home Tax will be in effect, and in which lower tiers it would not be

Municipal Scan

Staff continue to monitor the VHT status in surrounding municipalities. The following table highlights jurisdictions across Ontario that have implemented VHT, are considering implementation or have opted not to implement the VHT.

VHT Municipal Scan (as of March 28, 2024)

Municipality	Feasibility Study	Framework Approval	Minister of Finance Approval²	Effective Date	Tax Collection Year
City of Toronto	2017 – 2021	December 2021	Not Applicable ¹	2022	2023
City of Ottawa	2020 – 2021	March 2022	May 2022	2022	2023
City of Hamilton ³	2019 – 2022	February 2022	May 2022	To be determined ³	

Municipality	Feasibility Study	Framework Approval	Minister of Finance Approval ²	Effective Date	Tax Collection Year
City of Guelph	Staff at the City of Guelph took a report to its 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.				
City of London	Staff at the City of London are currently working with a consultant to perform a feasibility study regarding a vacant home tax. Completion of the study and reporting to council are scheduled for May 2024.				
City of Windsor	2021 - 2023	November 2023	Not Applicable	2023 (Projected)	2024 (Projected)
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.				
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. Catharines has reported to be investigating the VHT.				
Peel Region	On June 8, 2023, the Province passed <i>Bill 112, The Hazel McCallion Act, 2023</i> , which planned to 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.				
Waterloo Region	Staff at Waterloo Region decided not to take a Regional program to its 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	<ul style="list-style-type: none"> - 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. - In November 2023, York Region decided not to proceed with the implementation of a Vacant Home Tax, based on an updated analysis demonstrating that the Vacant Home Tax would not be financially self-sustaining. York Region may revisit the Tax as a potential policy option through its forthcoming Affordable Housing Implementation Plan. 				
Halton Region	2021 - 2022	At the November 22, 2023 Council meeting, through Report No. FN-41-23, Regional Council directed Staff to pause work on the study, pending the release of the Provincial Policy Framework			

¹ 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.

² As announced through the *2024 Ontario Budget* on March 26, 2024, approval for designation from the Minister of Finance to be granted authority to impose a tax on vacant residential units is no longer required. Effective March 27, 2024, the Province has extended authority to all single- and upper-tier municipalities to impose a municipal tax on vacant homes.

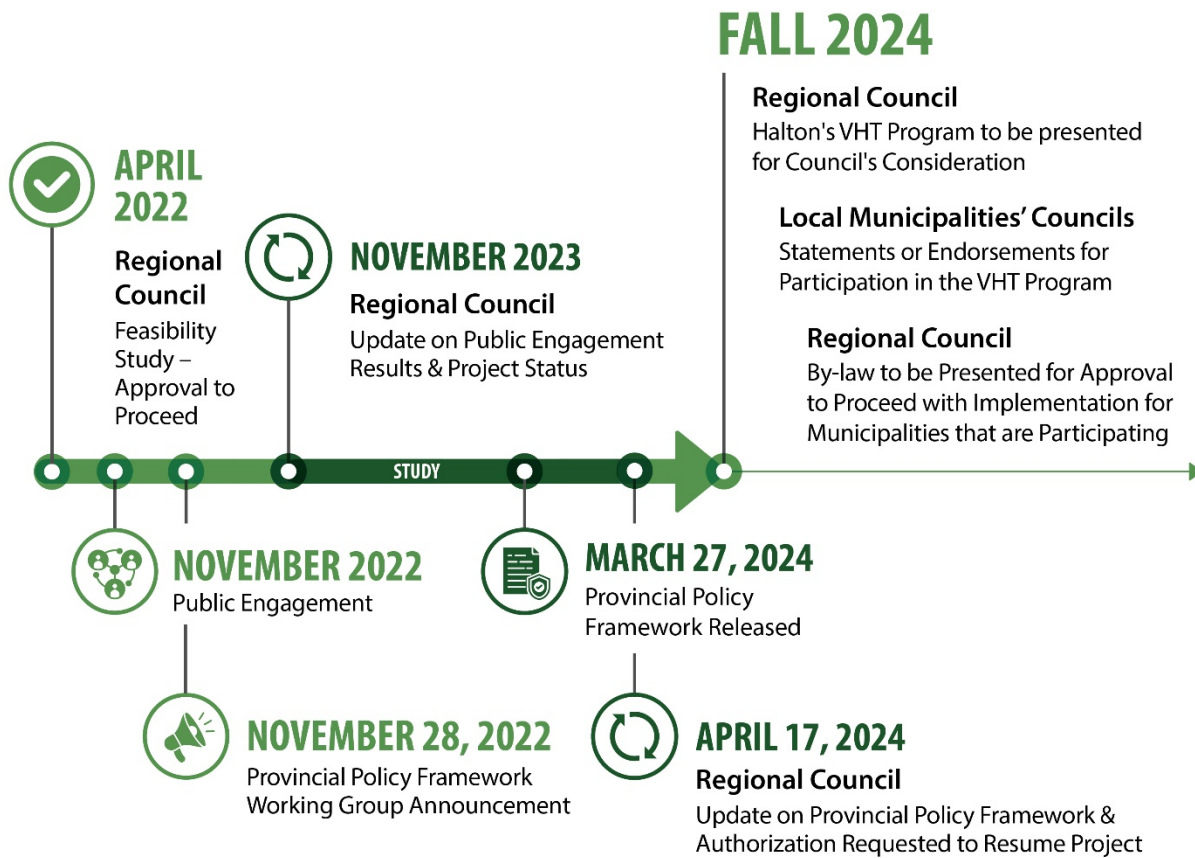
³ The City of Hamilton did not proceed with the Vacant Units Tax in 2024 (2023 vacancy year). The City's approval of a By-law is needed in order to implement the Vacant Units Tax, however the timing for this is not known at this time.

Next Steps

Upon approval of this Report, Regional Staff will resume work on the study of an optional Vacant Homes Tax in Halton Region, which will entail working closely with the Local Municipalities to design the program, update revenue and cost projections, and develop potential implementation timelines. Staff will review the Provincial Policy Framework and complete the study, with assistance of an external consultant.

As recommended in the Provincial Policy Framework, Halton Region's proposed VHT Program will include opportunity for the Local Municipalities to review and determine support to opt-in.

A timeline of the work undertaken to-date and next steps is provided below. Staff anticipate reporting back in the Fall of 2024 with Halton Region’s proposed VHT program and implementation timeline for Council’s consideration. Subject to Council’s approval of a VHT Program in Halton Region, participation will be dependent on Halton Region receiving supportive statements or endorsements from the respective Councils of the Local Municipalities. A Regional By-law would then need to be approved to proceed with implementation for Municipalities that are participating. Please note: With the legislative changes made as a result of the 2024 Provincial Budget, there is no longer a requirement for municipalities to submit for Provincial designation; upper and single tier municipalities have been given the authority to impose a vacant homes tax through passing a municipal by-law.



Financial/Program Implications

The 2024 Operating Budget includes funding to support work on the study of an optional Vacant Homes Tax in Halton Region.

Respectfully submitted by,

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 about the content of this report, please contact:
Debbie Symons, Director, Budgets and Tax Policy

Attachments:
None

Additional Information:

The sources listed below are for supplemental information and reference only. Halton Region is not responsible for the currency, accuracy, or legality of the content from any external links.

N/A