
Subject: Optional Tax on Vacant Residential Units

Report to: Regional Council

Report date: Thursday, April 23, 2020

Recommendations

1. That report CSD 8-2020 **BE RECEIVED** for information.
2. That a copy of Report CSD 8-2020 **BE CIRCULATED** to the Local Area Municipalities.

Key Facts

- This report is to provide Regional Council with additional information regarding a St. Catharines City Council motion on implementing an optional tax on vacant residential units (“vacant homes tax”).
- Only the units classified in the residential property class (primarily RT) are eligible for a vacant property tax under the Municipal Act.
- The intent of the vacant homes tax is to encourage owners of residential units to sell or rent out secondary residences.
- The vacant homes tax does not apply to vacant residential land (i.e., no structure) nor does it apply to properties that would be included in multi-residential or non-residential property tax classes.
- Region staff consulted Area Treasurers on the vacant homes tax as they are the tax billing authority and would have much of the information required to estimate vacant unit.
- Most Area Treasurers expressed concerns with internal capacity to implement the optional tax as it would require resources to estimate the number of units that would potentially be subject to the vacant homes tax.

Financial Considerations

There are no direct financial implications of this report as it is for information only. If Council were to consider proceeding further with considering an optional vacant homes tax, it could not take effect until the 2021 taxation year at the earliest. If implemented any net revenue generated from the tax could be reinvested into affordable housing initiatives similar to the approach adopted by Vancouver and considered by Toronto.

However, it should be noted that the cost of implementation and administration may exceed the projected revenue. At this time, there is not enough information to provide an accurate estimate of projected costs or revenue.

Analysis

St. Catharines Motion Re: Vacant Homes Tax

The Council of the City of St. Catharines, at its meeting held on August 12, 2019, passed the following motion:

WHEREAS St. Catharines currently has a years-long waiting list for social housing, extremely low apartment vacancy rates, rising apartment costs, a need for more shelter spaces and transitional housing, and a residential real estate market that has seen house values grow exponentially in a short period of time; and

WHEREAS these factors combined have resulted in St. Catharines becoming an unaffordable place to live for many, particularly those on fixed incomes, social assistance and those who earn less than the living wage; and

WHEREAS jurisdictions such as British Columbia and Vancouver have successfully implemented vacant property taxes to not only collect more revenue for social housing projects, but also to encourage real estate speculators to rent out vacant homes; and

WHEREAS the Regional Municipality of Niagara has the authority to implement a vacant home tax in St. Catharines (and all other lower-tier municipalities within Niagara);

THEREFORE BE IT RESOLVED that the City of St. Catharines endorse the concept of a vacant home tax and vacant residential land tax and call upon the Niagara Region to investigate a vacant home tax that specifically:

- Addresses vacant residential units in St. Catharines*
- Encourages turning empty St. Catharines homes into good housing for people*
- Raises revenue that will directly support affordable housing in St. Catharines*

BE IT FURTHER RESOLVED that this resolution be circulated to the Office of the City Clerk at the Niagara Region, Niagara Region Housing, the local area municipalities and the City of St. Catharines City Treasurer / Director of Financial Management Services and the Director of Planning and Building Services. FORTHWITH

The implementation of a vacant homes tax is an upper-tier decision, which is consistent with other areas of tax policy, and promotes a regional approach to the imposition of a tax on vacant residential units. Staff consulted with the Province and it should be noted that the legislation does not preclude the Region from implementing in select municipalities based on need in the individual communities.

Overview of Ontario Vacant Home Legislation

In order to provide Council with background on the vacant homes tax, staff compiled information based on an analysis of existing legislation as well as information obtained from the Regional contact with Ontario's Ministry of Finance:

- The vacant homes tax can only be imposed once approved to do so via a Regulation of the Province.
- Once a municipality is designated by the Province for eligibility for implementing the tax, a by-law must be passed in the year to which it relates;
- The tax is to be based on the assessed value (as determined under the Assessment Act) of vacant residential units (similar to general property taxation).
- Eligible properties under the existing legislation are those that are classified in the residential property class only and excludes multi-residential and non-residential tax classes.
- A vacant homes tax by-law must satisfy the following criteria:
 - It must state the tax rate; and
 - It must state the conditions of vacancy that, if met, make a unit subject to the tax.
- A by-law may provide for such matters as Council considers appropriate, including,
 - Exemptions from the tax;
 - Rebates of tax;
 - Audit and inspection powers; and
 - Establishment and use of dispute resolution mechanisms.
- The Minister of Finance has the authority may make regulations prescribing such matters as the Minister considers necessary or desirable, including:

- Designating municipalities to which this the vacant homes tax could apply;
- Prescribing conditions and limits with respect to the imposition of a tax;
- Prescribing persons and entities who are not subject to a tax;
- Defining a “vacant unit”;
- Governing the collection of a tax;
- Governing dispute resolution.

To date, no municipality in Ontario has utilized the authority given by the Province to implement a vacant homes tax. The City of Toronto has been considering the need and ability to implement a vacant homes tax since 2017 but the results of the review have not been finalized.

Review of Other Municipalities

Region staff have conducted a review of both the Vancouver and Toronto vacant homes tax reports and implementation plans. Both Vancouver and Toronto utilized aggregated/anonymized water and hydro meter data to estimate the quantity of vacant residential units in each city which has been presented below in Table 1. An estimate of vacant homes in Niagara has also been included in Table 1 based on information received from a few Area Municipalities as the Region does not have access to water and hydro billing data as both functions are completed by the Area Municipalities or the local electricity authorities. Due to privacy concerns, however, Vancouver was not able to utilize water or hydro data for the purposes of billing for the vacant homes tax. This limitation experienced by Vancouver would also be present in Niagara as well.

Table 1: Estimated Vacant Residential Units

Municipality	Total Count of Units	Estimated Vacant Units	% of Total
Toronto	752,000	15,000-28,000	2-4%
Vancouver	225,000	10,000	4%
Niagara	177,000*	1,757**	1%

* Estimated count of residential units only (exclude multi-residential)

** 76% are seasonal residences (1,341 units)

It is important to note, that only four municipalities were able to provide estimates on vacant residential units. The total residential units in these four municipalities is approximately 75 thousand (42%) of the 177 thousand residential units in Niagara. One municipality stated that they did not have any vacant units that could be identified. Two municipalities estimated minimal vacant residential units. One municipality identified a

significant number of vacant units which were primarily seasonal properties which were estimated to be vacant for approximately 6 months during offseason periods.

Other Implementation Considerations

If a vacant homes tax was to be implemented, a framework would need to be developed with some of the below administrative requirements in mind:

- Public consultation and engagement approach and/or requirements prior to implementation;
- How would vacant homes be identified (mandatory declaration, self declaration, complaint based);
- Determining if the Region or Area Municipalities would administer the program (which would include billing, collections, appeals, etc.) – note that the Region does not currently have taxpayer billing capabilities;
- Determining the appropriate allocation of any net revenues or expense from the tax between Regional service areas/programs or between Region and Area Municipalities;
- Creating a complaint resolution process including audit or enforcement powers; and
- Determining an appropriate reporting approach to understand the effects (i.e., benefits or drawbacks) that the vacant homes tax will have on affordable housing.

Alternatives Reviewed

No alternatives are being presented as this report is for information only. Should Council direct staff complete a more fulsome review (including additional engagement with the public and Area Municipalities) a future report to Council would be required.

Relationship to Council Strategic Priorities

A vacant homes tax for Niagara may assist with retaining, protecting and increasing the supply of affordable housing stock to provide a broad range of housing to meet the needs of the community. This would only apply, however, if the vacant homes tax achieved the desired outcome of having property owners rent available units or in the event that revenues after administration costs were reallocated to affordable housing initiatives.

Other Pertinent Reports

None.

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Appendices

Appendix 1	City of St. Catharines Council Motion Re: Vacant Home Tax
Appendix 2	Municipal Act – Optional Tax on Vacant Residential Units