A Review of Issues to be Considered for the Taxation of Vacant Homes in Toronto

Supplementary Analysis for the Effects of COVID-19

Prepared for the City of Toronto

KPMG LLP

November 2020

Contents

1 Background 2

2 Context 3
2.1 Economic impacts 3
2.2 Social Impacts 4
2.3 Fiscal impacts 5
2.4 Housing Market Impacts 6
2.4.1 Home Sales 6
2.4.2 Rental Housing 8

3 Key considerations 14
3.1 Public Policy Rationale for a VHT 14
3.2 Impacts of the pandemic on housing 16
3.3 Rationale and implementation considerations for a VHT 17

4 References 20

Document Information and Limitations

This document has been prepared by KPMG LLP ("KPMG") for the City of Toronto (the "Client") pursuant to the terms of our engagement agreement dated December 2, 2019 (the "Engagement Agreement").

Our review was based on research and analysis of publicly available sources and data, City-provided information, and select stakeholder consultations.

KPMG neither warrants nor represents that the information contained in this document is accurate, complete, sufficient or appropriate for use by any person or entity other than the Client or for any purpose other than set out in the Engagement Agreement. This document may not be relied upon by any person or entity other than the Client, and KPMG hereby expressly disclaims any and all responsibility or liability to any person or entity other than the Client in connection with its use of this document.

The procedures we performed do not constitute an audit, examination or review in accordance with standards established by the Chartered Professional Accountants of Canada, and we have not otherwise verified the information we obtained or presented in this document. We express no opinion or any form of assurance on the information presented in this document, and make no representations concerning its accuracy or completeness.

We express no opinion or any form of assurance on potential revenue, cost or schedule estimates that the Client may realize should it decide to implement the opportunities or options contained within this document. Readers are cautioned that the estimates outlined in this document represent order of magnitude estimates only and are calculated based on the stated assumptions. Actual results achieved as a result of implementing opportunities are dependent upon Client decisions and actions, and variations may be material. The Client is responsible for its decisions to implement any opportunities/options and for considering their impact. Implementation will require the Client to plan and test any changes to ensure that the Client will realize satisfactory results.

1 Background

In December 2019, the City of Toronto (“City”) engaged KPMG LLP (“KPMG”) to provide independent research and analysis to inform the City’s consideration of a vacant home tax (“VHT”). The final report was entitled “Review of Issues to be Considered for the Taxation of Vacant Homes in Toronto” and dated March 27, 2020 (“KPMG VHT Report”).

The KPMG VHT Report provided a high-level overview of:

— the public policy rationale for a VHT;

— potential design features of a VHT;

— implementation and operational considerations of a VHT in Toronto;

— results from benchmarking of two comparable tax measures in Vancouver and Melbourne, as well as additional relevant examples from other jurisdictions; and

— potential qualitative and quantitative impacts of a VHT in the Toronto context.

The KPMG VHT Report was completed and submitted to the City in March 2020, prior to any prolonged impacts of the COVID-19 pandemic (“pandemic”). Since then, Toronto and the rest of the world has been significantly impacted by the pandemic. These impacts span societal and economic factors, including the real estate market and the broader economic climate.

This report assesses additional trends and considerations for a VHT within that context. The considerations presented in the KPMG VHT Report remain valid. This document builds on that report by incorporating newer data and market trends and identifying how these developments could affect a VHT in Toronto.

2 Context

The pandemic has presented unprecedented challenges and has had significant impacts on local, provincial, and national economies, including healthcare and education systems, labour and working conditions, and the real estate market. The City, in coordination with other levels of government, is focused on the pandemic's immediate public health implications, and remains in the process of responding to numerous social, economic, and fiscal challenges. The economic, social, and fiscal effects of the pandemic have had a notable impact on the residential real estate market.

This chapter provides:

— An overview of the economic, social and fiscal impacts of the pandemic for Toronto; and

— A review of the pandemic's effects on the residential real estate market ("housing market").

The following sections describe the key considerations of these developments for a VHT in Toronto. References are included at the end of this report.

2.1 Economic impacts

The pandemic has caused a recession.[1] Public health measures taken to combat COVID-19 and regulations imposed on businesses — commonly referred to as "lockdowns" — significantly limited economic activity nationwide. This decline in economic activity has had material impacts.

— Across the country, Canada experienced over 3 million job losses in the first two months of the pandemic (March and April 2020).

— In April 2020, Canada experienced a 16.9% decrease in GDP (on a year-over-year basis).[2]

— As of June 2020, Canada's unemployment rate was 13.0% (12.4% in Ontario; 13.6% in Toronto)[3], the highest since 1976.[4]

[1] (CBC News, 2020)
[2] (Statistics Canada, 2020)
[3] (Statistics Canada, 2020)
[4] (HuffPost Canada, 2020)

Since June, as governments relaxed several lockdown measures, national unemployment rates have been steadily decreasing, while GDP has consistently increased (on a month-over-month basis):

— By September 2020, Canada's job market was within approx. 720,000 positions of where it was before the COVID-19 pandemic.[5]

— By October 2020, the unemployment rate in Canada had decreased to approx. 9.4% (9.9% in Ontario; 11.5% in Toronto).[6]

Although Canada's job market and GDP have been recovering, unemployment remains high. Toronto's unemployment rate is more than double the pre-pandemic levels of early 2020 and as of November 2020, many cities and provinces were headed back into lockdown to prevent the spread of COVID-19. The initial shocks from the pandemic have had profound impacts on the economy, society, public finances and the housing market, as further described below, and it is unclear when those impacts will reach pre-pandemic levels.

2.2 Social Impacts

COVID-19 has affected all segments of the population. However, it has disproportionately affected vulnerable populations, such as low-income and marginalized communities.

Many low-income workers work in the service industry, such as retail, food and beverage, entertainment, and hospitality. As a result of the economic downturn, many of these people have become unemployed as businesses have been forced to furlough or lay off their employees due to economic pressures and government restrictions. In addition, many others who have not lost their jobs have not been able to work remotely due to the nature of their jobs; they have therefore continued to work on site and have increased their exposure to illness (i.e. COVID-19) throughout the pandemic. This could impact their future health and wellbeing, their families and support systems, and their prospects for recovery. A significant portion of the individuals within these communities are likely to live in rental housing accommodations.[7] Prior to the pandemic, government decision-makers at all levels acknowledged that housing affordability was a significant challenge facing Toronto. Economic hardship can be expected to exacerbate these challenges for many individuals, all else being equal.

As part of its fiscal stimulus package, the Government of Canada announced the Rapid Housing Initiative ("RHI"). The $1 billion initiative is intended to address urgent housing

---

[5] (CBC News, 2020)
[6] (Statistics Canada, 2020)
[7] (Global News, 2020)

needs of vulnerable Canadians, especially in the context of COVID-19, by rapidly delivering up to 3,000 new permanent affordable housing units across the country.[8] The funding initiative is also expected to support the country's economic recovery by creating employment in the housing and construction sectors. Toronto has been allocated approximately $203.3 million, to be delivered by the Canada Mortgage and Housing Corporation under the National Housing Strategy. The RHI requires that the City ensure housing is available within 12 months of the completed agreement.[9]

2.3 Fiscal impacts

The impact of the pandemic on the City's finances have been material. Since the pandemic began, the City has experienced significant fiscal challenges both in the form of additional costs and revenue losses. According to a City of Toronto report on the financial impacts of COVID-19, as of September 2020:[10]

— It is estimated that the City will experience approximately $1.9 billion in COVID-19 related financial impacts by the end of 2020, prior to any offsets through mitigation strategies, including workforce restraints, spending constraints, and cost avoidance.

— Taking into consideration existing mitigation strategies (e.g., workforce restraints, spending constraints, and cost avoidance), the City anticipates a reduced total year-end budget shortfall of approximately $1.34 billion.

— The City anticipates a preliminary 2021 operating budget shortfall of nearly $1.5 billion based on 2021 outlooks provided during the 2020 budget process and assumptions on continued COVID-19 financial impacts.

— The City is currently engaged with the provincial and federal governments to obtain financial support as part of the Safe Restart Agreement, however there is still uncertainty about the extent to which it will offset the remaining 2020 budget pressures and likely shortfall for 2021.

The current fiscal challenges facing the City will have lasting fiscal impacts. According to the September 2020 City report, the City anticipates that the financial challenges of the 2020 fiscal year caused by COVID-19 will continue into 2021 and beyond.

[8] (Canada Mortgage and Housing Corporation, 2020)
[9] (City of Toronto, 2020)
[10] (City of Toronto, 2020)

2.4 Housing Market Impacts

2.4.1 Home Sales

At the start of the pandemic, public health measures taken to address COVID-19, combined with public concerns and general uncertainty led, to a near-shutdown of market activity. Recommendations to stay-at-home and health concerns generally meant that fewer buyers were comfortable visiting houses to look before making a purchasing decision. Uncertain health, employment, and economic conditions further dampened real estate market activity. In conjunction, sellers were more hesitant to accept lower offers for their properties, having seen what others received for their properties in the prior months. As a result, those without urgent real estate needs put their major purchases on hold, waiting to see how the pandemic and recession would unfold.

These changes in behaviour had an immediate and drastic effect across all types of real estate.[11]

— During the post-COVID period of March 2020 (after March 15, 2020), home sales in Toronto were down by approx. 15.9% compared to the same period in March 2019

— In April and May 2020, home sales declined by approximately 67% and 53.7%, respectively, on a year-over-year basis.

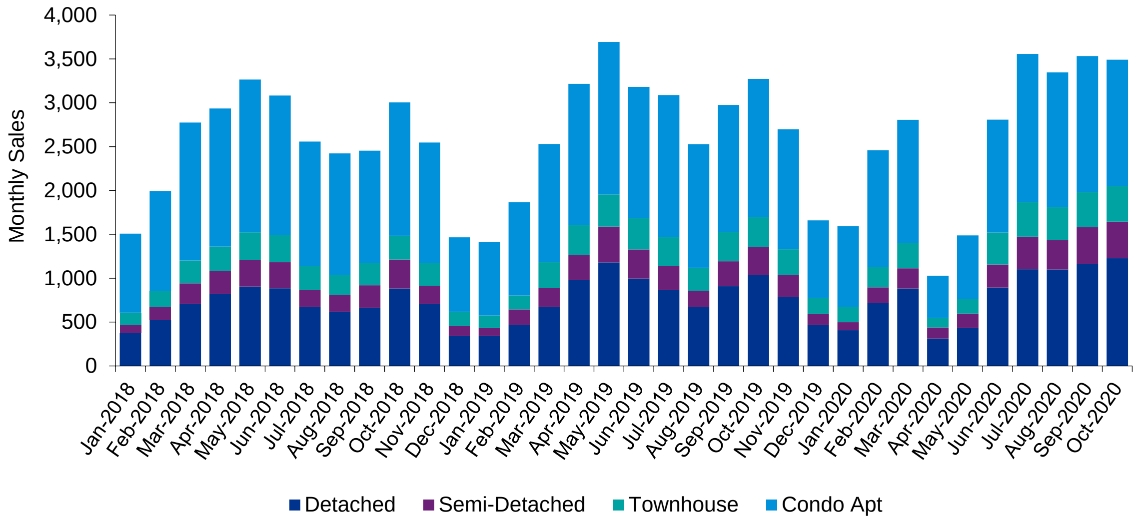
— In April and May 2020, housing listings remained on the market for as much as 26.3% longer than the previous year.

As governments loosened restrictions and the economic outlook improved, the housing market began to recover from the pandemic's initial shocks. Since June 2020, sales have continued to increase in the housing market, with sales numbers reaching new records in September and October – up by 14% and 25.1%, respectively, compared to the previous year.[12] Sales growth has been primarily for ground-oriented market segments, as sales for condominiums have lagged behind those for detached, semi-detached, and townhouse home types. An overview of monthly sales by major home type over the last three years is shown in Figure 1.

---

[11] (Toronto Regional Real Estate Board, 2020)
[12] (Toronto Regional Real Estate Board, 2020)

Figure 1 - Monthly Sales by Major Home Type[13]



Home prices in Toronto were not as affected by the pandemic as sales volumes. Average home prices decreased by between 4.0% (Condo Apartment) and 7.8% (Detached) on a year-over-year basis between April and May 2020, but then continued to increase each month afterward. The average prices of major home types in Toronto saw significant year-over-year increases during the summer and fall months, reaching record highs by October 2020:

— Average price for detached homes increased by 25.5% and 21.4% for the months of July and August 2020 compared to the prior year. Increases were less material in September and October 2020, at 9.4% and 11.2%, respectively.

— Average price for semi-detached homes increased by over 20% compared to the prior year for three consecutive months between June and August 2020. Increases were less material in September and October 2020, at 7.2% and 4.8%, respectively.

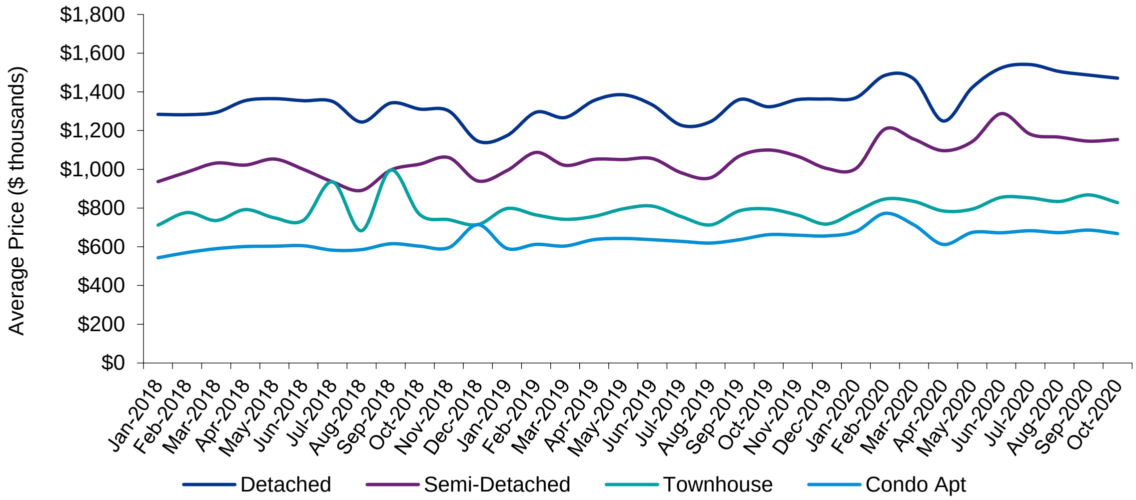
— Average price for townhouse units saw gains of between 10.3% and 16.8% for the months of July, August, and September 2020 compared to the prior year.

— Condominium apartments experienced increases in average price at lower rates than ground-oriented market segments, with year-on-year increases between 5.6% and 8.8% between June and September 2020.

[13] Data retrieved from Toronto Regional Real Estate Board

An overview of average price by major home type over the last three years is shown in Figure 2 below.

Figure 2 - Monthly Average Price by Major Home Type[14]



As described above, the pandemic had an initial temporary impact on the housing sale market. Housing sales numbers experienced significant declines during the initial months of the pandemic, however transaction volumes have since recovered to pre-COVID levels. Average sales prices were less impacted by COVID-19, as monthly average prices initially experienced comparably smaller declines, and have since continued to new record highs.

2.4.2 Rental Housing

The rental market in Toronto has been materially impacted as a result of COVID-19. The number of housing units available for rent has increased significantly throughout the pandemic. The number of condominium apartments listed for rent was up by 31.9% in Q1 2020, 42% in Q2 2020, and 113.9% in Q3 2020 (on a year-over-year basis).[15]

According to Urbanation, an organization that tracks real estate in the City of Toronto, a survey of ‘newer purpose-built rental apartments’ (i.e., those that have been completed in the GTA since 2005) reported a vacancy rate of approximately 2.4% in Q3 2020, three times higher than that reported in Q3 2019.[16] Within the downtown and midtown markets of Toronto, the vacancy rates reported were even higher; approximately 2.8% (from 0.7% the

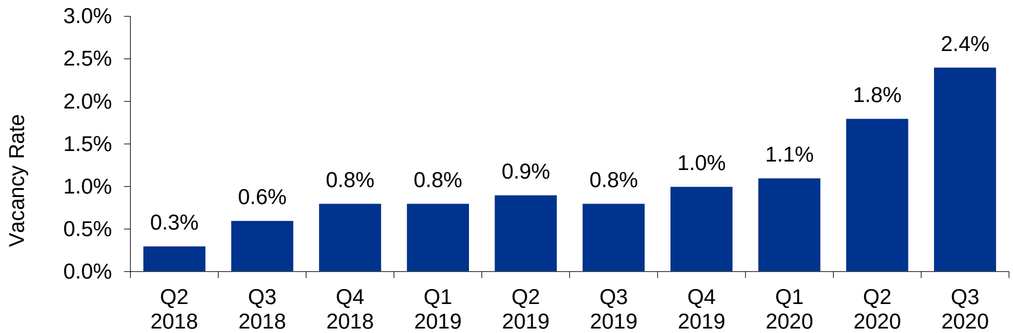
---

14 Data retrieved from Toronto Regional Real Estate Board
15 (Toronto Regional Real Estate Board, 2020)
16 (Urbanation, 2020)

previous year). This is the first time that vacancy rates have surpassed 2% in the GTA in 10 years.

In addition, within the purpose-built apartment buildings that have reached completion so far in 2020, the average occupancy rate was approximately 34% in Q3 2020, notably lower than the average occupancy of 64% in 2019 for the projects that reached completion in the same year-to-date period.[17] Urbanation also noted that many rental buildings surveyed were offering various incentives to attract new tenants, such as move-in bonuses as well as one or two months of free rent.

Figure 3 - Purpose-Built Rental Vacancy Rates (GTA) [18]



As described above, the pandemic led to economic and social impacts like income loss. This can be expected to affect the ability of many individuals to pay rent. In conjunction, many individuals in the new work from home environment found their accommodations to no longer suit their new needs. As a result, many individuals may have begun to search for new accommodations to suit their stay-at-home or work-from-home needs.

Rental activity at the onset of the pandemic was down from the previous year. The same stay-at-home orders and public concerns that dampened the housing market had a similar effect on the rental market. Total transaction volume for rental apartments (incl. townhouses) in Q2 2020 was down by approximately 25.5% from the previous year. However, by Q3 2020, total transaction volume for the quarter grew by approximately 29.4% year-over-year, the largest increase in the last six years.[19] These statistics have made it difficult to identify any clear trends as a result of the pandemic.

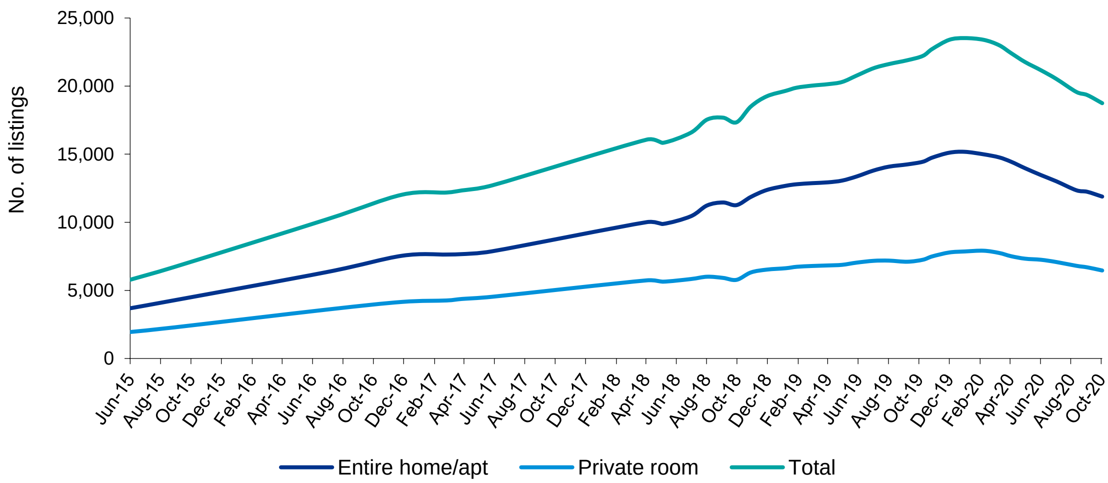
Although rental lease transactions increased over the course of the pandemic, so too did the number of available rental units. In Q2 2020, the total number of available rental listings increased by 43.4% year-over-year, while in the following quarter the number of available listings increased by 116.9%. According to the Toronto Regional Real Estate

[17] (Urbanation, 2020)
[18] (Urbanation, 2020)
[19] (Toronto Regional Real Estate Board, 2020)

Board, a significant driver to the increase in listings were as a result of short-term rental units being converted to long-term rental units and made available in the traditional rental marketplace.

At the onset of the pandemic, one public health measure was to close the US-Canada border and impose stricter regulations on travel. This reduced the number of visitors to Toronto and resulted in fewer tourists and business travelers. This reduced demand for short-term rentals, such as Airbnb and hotels, and may have assisted in accelerating the effects of the short-term rental regulations implemented by the City in 2020. For example, the number of Airbnb listings available in Toronto reached its peak in January 2020 and has declined continuously for nine consecutive months (February to October 2020). The total Airbnb listings in Toronto over the last five years is shown in Figure 4 below.

Figure 4 - Total Airbnb Listings in Toronto (Jun 2015 to Oct 2020)[20]



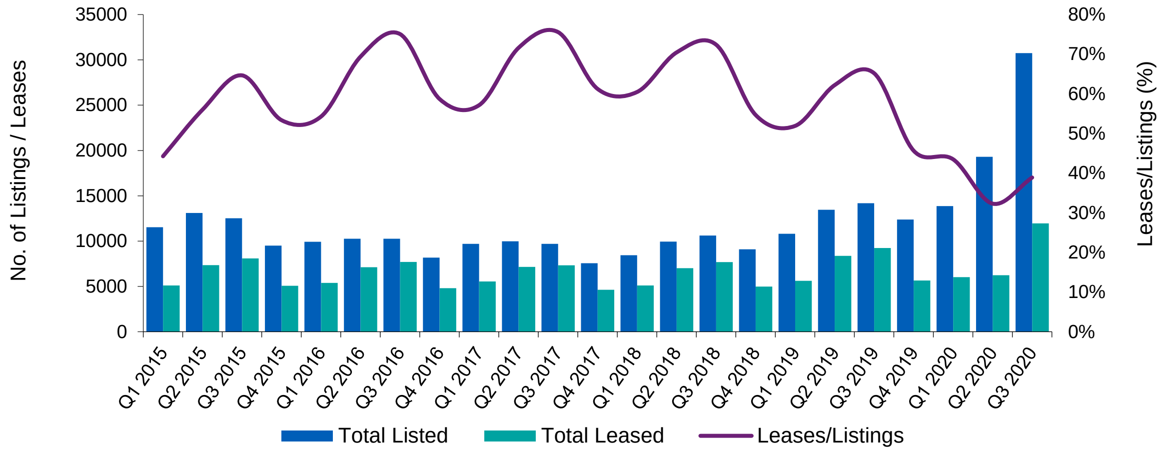
The listing of units formerly listed with Airbnb, combined with those listed as a result of tenants seeking changes in accommodations, meant that in Q3 2020, over 30,750 long-term rental units were listed as available – more than double the next-highest amount since the beginning 2015.[21]

A summary of rental transactions in Toronto over the last five years is shown in Figure 5 below.

---

[20] (Inside Airbnb, 2020)
[21] (Toronto Regional Real Estate Board, 2020)

Figure 5 - Total Listings and Rental Transactions in Toronto[22]



The ratio of leases-to-listings is calculated by dividing the number of leases signed by the number of available housing units during a given period. The ratio of leases-to-listings provides a sense of the availability of supply. In Q2 2020, the ratio of leases-to-listings reached a five-year low of 32.3% (i.e., more supply/listings per transaction than previous five years). The ratio increased to 38.9% in Q3 2020, however was still below the previous five-year low.

With supply increased, average rental rates for long-term rental units have declined in Toronto. According to the Toronto Regional Real Estate Board, the average lease rate for newly rented apartments in Toronto declined by approximately 5.8% in Q2 2020 and 11.2% in Q3 2020, on a year-over-year basis.[23] A breakdown of average lease rates by apartment type in Toronto for the year 2020 is shown in Table 1 below.

[22] (Toronto Regional Real Estate Board, 2020)
[23] (Toronto Regional Real Estate Board, 2020)

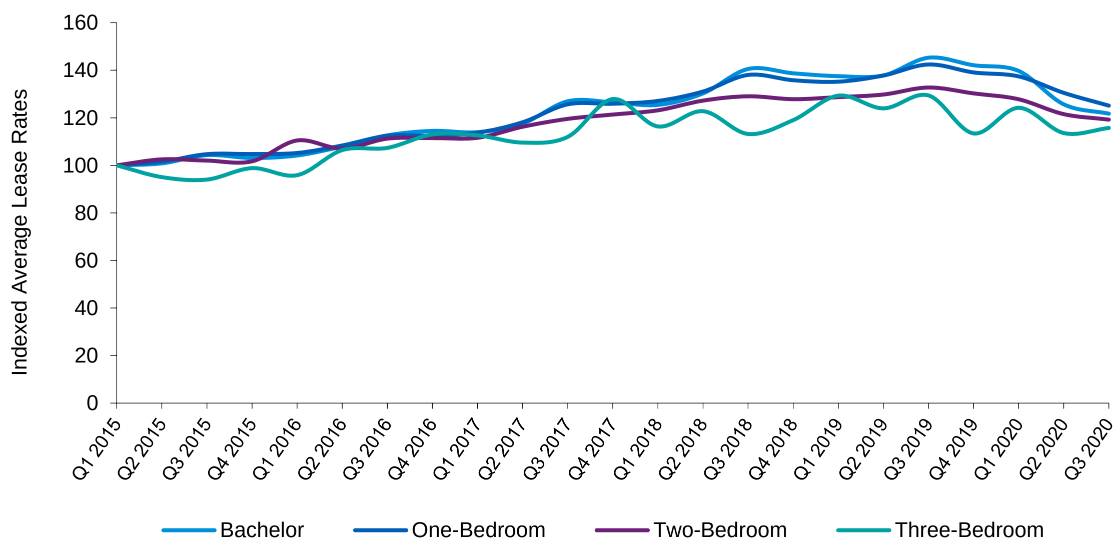
Table 1 - Quarterly Average Lease Rates by Apartment Type[24]

	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Bachelor							
Avg. Lease Rate	$ 1,822	$ 1,826	$ 1,925	$ 1,833	$ 1,851	$ 1,665	$ 1,613
YOY % Change	9.6%	5.8%	3.4%	2.4%	1.6%	-8.8%	-16.2%
One Bedroom							
Avg. Lease Rate	$ 2,186	$ 2,228	$ 2,303	$ 2,249	$ 2,222	$ 2,110	$ 2,023
YOY % Change	6.4%	5.1%	2.3%	2.4%	1.6%	-5.3%	-12.2%
Two Bedroom							
Avg. Lease Rate	$ 2,964	$ 2,989	$ 3,057	$ 3,000	$ 2,943	$ 2,799	$ 2,746
YOY % Change	4.5%	2.0%	2.9%	1.9%	-0.7%	-6.4%	-10.2%
Three Bedroom							
Avg. Lease Rate	$ 3,997	$ 3,832	$ 4,000	$ 3,506	$ 3,839	$ 3,511	$ 3,577
YOY % Change	11.1%	1.0%	14.3%	-4.7%	-4.0%	-8.4%	-10.6%

Average lease rates for townhouses were not as materially affected by the pandemic as for apartments. The average lease rate for townhouse rental units decreased by 1.7%, 2.1%, and 3.5% for Q1, Q2, and Q3 2020, respectively.

Relative quarterly progression of average lease rates across apartment types is shown in Figure 6 below.

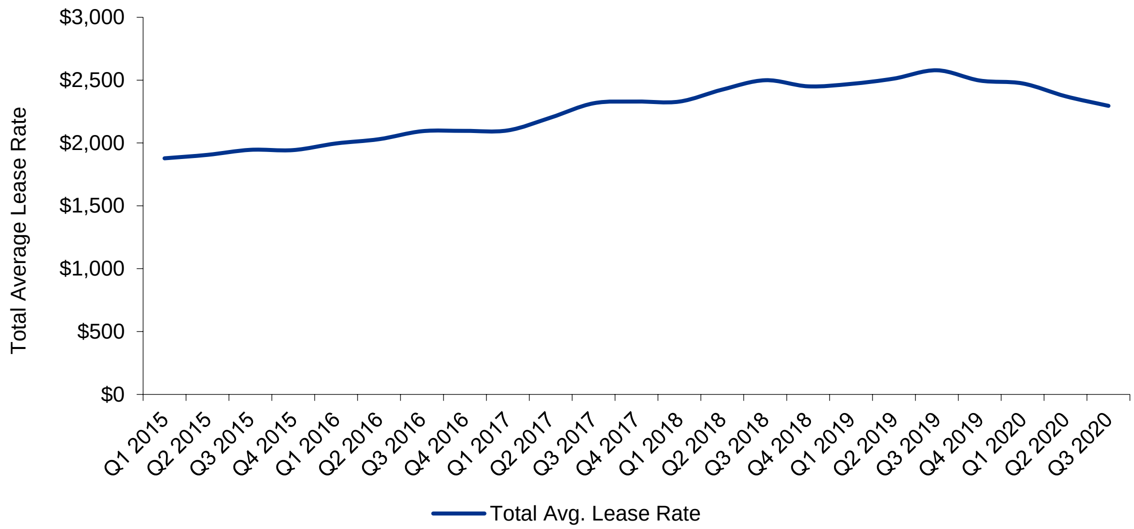
Figure 6 - Indexed Quarterly Average Rents by Apartment Type[25]



24 (Toronto Regional Real Estate Board, 2020)
25 (Toronto Regional Real Estate Board, 2020)

A summary of total weighted average lease rates for rental units in Toronto since 2015 is shown in Figure 7.

Figure 7 - Quarterly Average Lease Rates in Toronto[26]



The Toronto Regional Real Estate Board anticipates that even if rental transactions remain at or near record levels, the high amount of supply currently on the rental market, combined with constrained demand caused by COVID-19, means that it will take time for the additional supply to be absorbed.[27] As such, the rental market is anticipated to face further downward pressure on rents throughout the remainder of 2020 and into 2021.

[26] (Toronto Regional Real Estate Board, 2020)
[27] (Toronto Regional Real Estate Board, 2020)

3 Key considerations

3.1 Public Policy Rationale for a VHT

COVID-19 caused material economic, social and fiscal shocks that impacted the real estate market in Toronto. While it is too early to tell with precision which of these impacts will be long lasting, it appears that the original public policy rationale for a VHT — i.e., to address housing affordability and availability — remains valid.

Throughout the pandemic, vacancy rates for rental housing have increased. This was caused by several reasons broadly attributed to the pandemic, such as moves to virtual education and remote work, and reduced international travel reducing demand for short term rentals.[28] Assuming behaviours and restrictions continue throughout the pandemic, it is likely that vacancy rates will remain above the pre-pandemic levels for the foreseeable future.

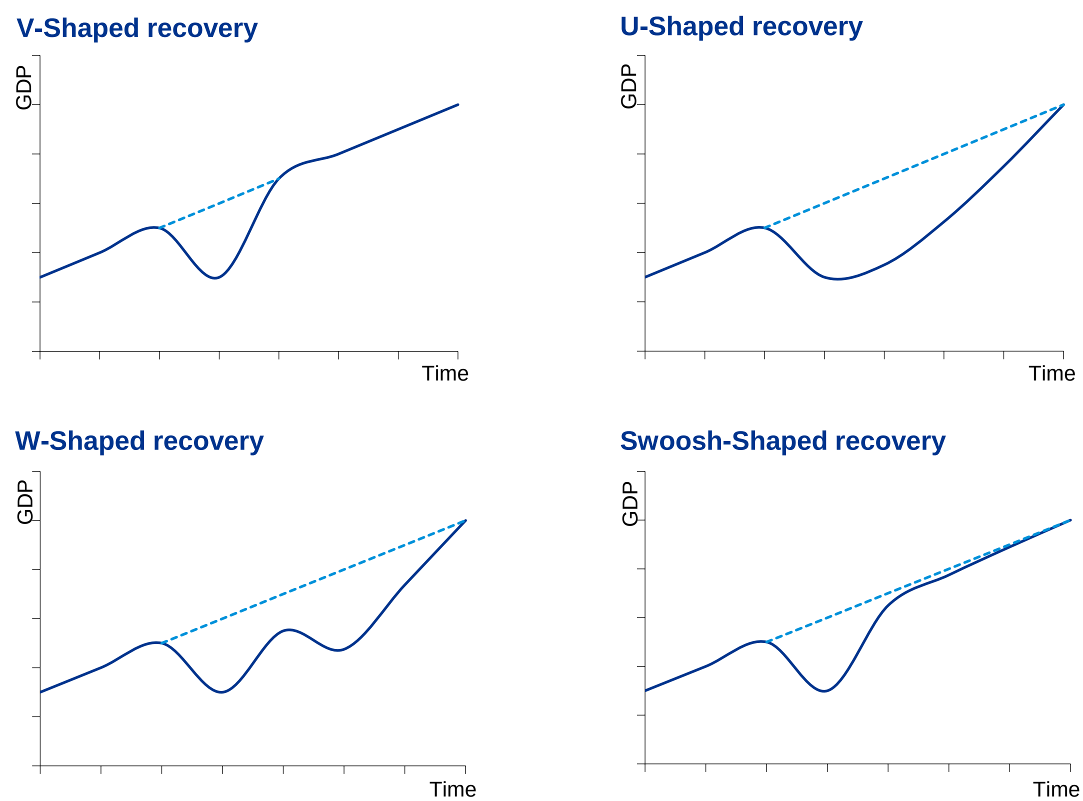
Even after a vaccine has been distributed to the general population or the public health emergency subsides, the state of the housing market is still unclear. There is no consensus opinion among the publicly available sources reviewed for this study as to whether and when the housing market will fully return to its pre-pandemic state. However, it can be expected that demand for housing will increase from the disrupted state during the pandemic. Further, Canada has committed to increasing immigration targets between 2021 and 2023, partially to account for the reduced levels of immigration seen during the pandemic.[29] This should increase demand for housing in the Toronto market.

In a pessimistic scenario, the economic impact from the pandemic downturn could span for several years. This would put negative pressure on wealth creation and thus downward pressure on the housing market. In a more optimistic scenario, public health measures will be able to be safely removed sooner and economic activity can return to at or near pre-pandemic levels more rapidly.

The short- to medium- term (during the pandemic and in the post-pandemic recovery period) economic ripple effects on the real estate market will largely depend on the economic recovery scenario. The timeframe and nature of economic recovery could take one of several forms.[30] The below figure illustrates potential recovery shapes.

[28] (Gaviola, 2020)
[29] (Government of Canada, 2020)
[30] (Hansen, 2020)

Figure 8 – Economic Recovery Shapes[31]



Long-term impacts on behaviours and society will need to be continually examined. There are likely to be changes to commuting patterns and to the locations that people choose to work from if remote work increases. Additionally, although Canada has seen an economic recovery from the lows of the pandemic, that recovery has been uneven. In particular, women, youth and lower wage workers have been disproportionately impacted and have not seen the same levels of economic recovery.[32]

As described in the KPMG VHT Report, housing affordability is a key issue in Toronto. A VHT is a mechanism that can be used to address that issue. The factors that made it a mechanism capable of addressing housing affordability are largely still in place. Vacant homes are an underutilized asset and returning these units to the market can support addressing housing affordability.

---

[31] (Inside Airbnb, 2020)
[32] (Financial Post, 2020)

3.2 Impacts of the pandemic on housing

Since the onset of the pandemic there have been various impacts on housing in Toronto. A discussion of the potential drivers of the impacts is provided in Table 2 below.

Table 2 - Housing Impacts in Toronto

Category	Impact on housing availability	Market response
Occasional Use and Short-Term Rental	**Positive** ***Reduction in vacant homes***	People leave homes vacant because they only use them occasionally. As international travel has decreased, properties which are occasionally used may be occupied more frequently. Short-term rentals have also decreased with many of these units being placed on the long-term rental market.
Property Speculation (Sellers)	**Positive** ***Reduction in property speculation***	People leave homes vacant because they are property speculators. If economic conditions worsen and a housing bubble emerges with potential to burst, then it is possible property speculators will exit the market. This would return vacant homes to the market, which is a public policy goal of a VHT.
Rental Conversion	**Positive** ***Increase in rental units***	Homes may be vacant for the purposes of short-term rentals. Similar to property speculators, if economic conditions worsen or international travel restrictions persist, it can be expected that the demand for short-term rental will fall. Under these conditions, it is possible that these property owners will sell or convert their rental arrangements into long-term rental units. There has been early evidence of this, as the number of Airbnb listings has continually decreased since the onset of the pandemic.

Category	Impact on housing availability	Market response
Aversion to Renting	**Negative** ***Decrease in rental units***	People leave their homes vacant because they do not want people living in them and would rather not have the hassle of being a landlord. Now that there is a risk of recurring global pandemics and lockdowns, those same owners may be even more inclined to not want third parties into their vacant homes.
Property Speculation (Buyers)	**Negative** ***Increase in property speculation***	If housing prices drop (which to date has not been observed), this could increase the likelihood that properties are bought at a lower price compared to pre-pandemic levels and left vacant due to the lower carrying cost. Toronto is still the largest city in a G-7 nation and has a positive macroeconomic outlook over the long term.[33]

3.3 Rationale and implementation considerations for a VHT

Much of the rationale for a VHT described in the KPMG VHT Report remain valid at this time. For example, the implementation of a VHT will require lead time for the development of new IT systems and for executing implementation and promotional activities. While the policy supporting the tax and the mechanics of the implementation and administration of the tax remain the same, a number of the housing market and economic considerations have been impacted by the pandemic, which may impact the City's decision to implement a VHT.

The City has stated that its primary objective of a VHT is to improve availability and affordability of housing in Toronto. A VHT has been demonstrated in other jurisdictions as a public policy tool that can increase the supply of housing and help to address housing affordability. These objectives do not appear to have changed. Additionally, the city of Vancouver has indicated that it has not made any changes to its existing Empty Homes Tax ("EHT") in response to the pandemic.

The pandemic, to a certain extent, has generated similar outcomes to what would be expected from the VHT with respect to the availability and affordability of housing. While it is likely that these factors will continue throughout the pandemic, there is no certainty as to

[33] (Mowat & Rafi, 2020)

the timing or ability of the market to return to pre-pandemic conditions. For example, there has been a decrease in the number of short-term rentals resulting in an increase in available rental housing and higher vacancy rates, due to the City's short-term rental bylaw coming into effect and significant pandemic related restrictions on international travel. At this point, it is difficult to determine whether, or how quickly, vacancy rates will revert to pre-pandemic levels.

The City will need to consider if a time of economic uncertainty is the optimal time to implement a new tax. Implementing the VHT during the pandemic may be seen as insensitive and put undue hardship on many homeowners. For example, a VHT would negatively impact owners of rental properties that are currently seeking but cannot find renters due to the pandemic.

The pandemic has had profound effects on all aspects of life and has sparked a societal shift on how people work, collaborate and interact. It is difficult to predict how behaviours will change in the long-term after the pandemic. However, at a broad level, with the underlying strengths and attractiveness of the City as a place to live and work, it is not hard to see that housing affordability will continue to be an issue. The implementation of a VHT provides positive policy outcomes (i.e., supporting housing availability and affordability in Toronto) and can generate revenues to support the City's challenging fiscal position.

It is also worth noting that the effect of a VHT will not be immediate and significant lead time is required to effectively implement the tax. A VHT requires a reference period for the tax to be calculated on. As described in the KPMG VHT Report, a reference period that aligns with the calendar year is optimal. It allows for the reference period to align with the property tax period and is consistent with other jurisdictions.

To successfully implement the VHT, sufficient time is needed to educate the public of the pending tax, perform promotional activities to make property owners aware of the tax and how it will work, and begin developing the necessary IT and audit functions for administering the tax. Also, specifics of the VHT will need to be substantially developed prior to the announcement of the tax.

In the Vancouver example, city council approved the EHT program and enacted the Vacancy Tax By-law in November 2016. The start of the initial reference period was January 1, 2017 and extended through to December 31, 2017. In Melbourne, the legislation for the vacant residential land tax was approved in March 2017, with the initial reference period beginning on May 1, 2017 and extending through the end of the calendar year to December 31, 2017. In the first year of the tax (2017), Melbourne deemed all properties to be 'occupied' for the period January 1, 2017 to April 30, 2017, so property owners are not penalized for not having the ability to adjust their behaviour for that period. For clarity, a property incurred the tax in 2018 only if it was unoccupied for more than six months from May 1, 2017 to December 31, 2017. Both taxes aligned with the calendar year.[34]

Given the lead-time required for the reference period as demonstrated in the examples above, the City may wish to pursue the implementation of a VHT and begin drafting the formal by-law and regulations for the tax. The time required to draft the by-law and regulations and obtain council approval will ultimately dictate how quickly a VHT could be implemented. The Melbourne example demonstrates how the tax could be implemented in the first half of the calendar year. Ultimately, the City can decide on the timing for introducing the tax to ensure that the implementation would not unduly impact the housing market (e.g., the City could either defer or postpone the reference period for the tax if pandemic-related market challenges persist), or could define additional exemptions to the tax (e.g., property owners who can demonstrate that they were actively seeking long-term tenants).

[34] (Victoria State Revenue Office, 2020)

4 References

Canada Mortgage and Housing Corporation. (2020, September 21). *Rapid Housing Initiative (RHI)*. Retrieved from National Housing Strategy: https://www.cmhc-schl.gc.ca/en/nhs/rapid-housing-initiative

CBC News. (2020, October 9). *Canada Added 378,000 Jobs in September, Even More Than in August*. Retrieved from CBC News: https://www.cbc.ca/news/business/jobs-august-1.5756642

CBC News. (2020, May 1). *It's Official - Canada's Economy is in a Recession, C.D. Howe Says*. Retrieved from CBC News: https://www.cbc.ca/news/business/canada-recession-economy-1.5552135

City of Toronto. (2020, October 30). City Council moves to rapidly build new affordable and supportive homes for Toronto's most vulnerable with $203 million federal investment. Toronto, Ontario, Canada. Retrieved from https://www.toronto.ca/news/city-council-moves-to-rapidly-build-new-affordable-and-supportive-homes-for-torontos-most-vulnerable-with-203-million-federal-investment/

City of Toronto. (2020, July 24). City of Toronto to address financial impacts of COVID-19. Toronto, Ontario, Canada. Retrieved from https://www.toronto.ca/news/city-of-toronto-to-address-financial-impacts-of-covid-19/

City of Toronto. (2020). *COVID-19 Financial Update.* Toronto: City of Toronto. Retrieved from https://www.toronto.ca/legdocs/mmis/2020/cc/bgrd/backgroundfile-156949.pdf

City of Toronto. (2020, July 24). *Operating Variance Report for the Six Months Ended June 30, 2020.* Chief Financial Officer and Treasurer. Toronto: City of Toronto. Retrieved from City of Toronto: https://www.toronto.ca/news/city-of-toronto-to-address-financial-impacts-of-covid-19/

City of Toronto. (2020). *Update on the City's Response to COVID-19 and Financial Impacts.* Toronto: City of Toronto. Retrieved from https://www.toronto.ca/legdocs/mmis/2020/cc/bgrd/backgroundfile-153514.pdf

Financial Post. (2020, September 10). Retrieved from Financial Post: https://financialpost.com/news/economy/bank-of-canada-head-says-uneven-recovery-could-hit-living-standards-for-all-canadians-2

Gaviola, A. (2020, October 22). *'A crazy time': Toronto landlords dish out incentives as rentals cool*. Retrieved from BNN Bloomberg: https://www.bnnbloomberg.ca/a-crazy-time-toronto-landlords-dish-out-incentives-as-rental-market-cools-1.1511784

Global News. (2020, May 29). *Could COVID-19 Hold a Silver Lining for Renters?* Retrieved from Global News: https://globalnews.ca/news/6995320/lower-rents-canada-covid-19/

Government of Canada. (2020, October 30). *Government of Canada*. Retrieved from Government of Canada announces plan to support economic recovery through immigration: https://www.canada.ca/en/immigration-refugees-citizenship/news/2020/10/government-of-canada-announces-plan-to-support-economic-recovery-through-immigration.html

Hansen, S. (2020, June 3). *U-Shape? V-Shape? Recovery Shapes Explained And What They Mean For America’s Economy*. Retrieved from Forbes:

https://www.forbes.com/sites/sarahhansen/2020/06/03/u-shape-v-shape-recovery-shapes-explained-and-what-they-mean-for-americas-economy/?sh=fef98d225a59

HuffPost Canada. (2020, June 5). *Canada's Unemployment Rate Rises to 13.7%, But the Country Actually Added Jobs in May*. Retrieved from Huffington Post: https://www.huffingtonpost.ca/entry/unemployment-canada-may-2020_ca_5eda3ce2c5b6764e1a452e65

Inside Airbnb. (2020, October Toronto). *Get the Data*. Retrieved from Inside Airbnb: http://insideairbnb.com/get-the-data.html

Mowat, D. D., & Rafi, S. (2020). *COVID-19: Impacts and Opportunities.* Toronto: City of Toronto.

RE/MAX. (2020, June 1). *Is the Toronto Real Estate Market in Trouble?* Retrieved from RE/MAX Blog: https://blog.remax.ca/re-max-is-the-toronto-real-estate-market-in-trouble/

Statistics Canada. (2019, September 27). *Residential property ownership: Real estate holdings by multiple-property owners*. Retrieved from Statistics Canada: https://www150.statcan.gc.ca/n1/pub/46-28-0001/2019001/article/00001-eng.htm

Statistics Canada. (2020, 11 13). Canadian Economic Dashboard and COVID-19. Canada. Retrieved from https://www150.statcan.gc.ca/n1/en/catalogue/71-607-X2020009

Statistics Canada. (2020, October 20). *COVID-19 in Canada: A Six-month Update on Social and Economic Impacts*. Retrieved from Statistics Canada: https://www150.statcan.gc.ca/n1/pub/11-631-x/11-631-x2020003-eng.htm#b

Statistics Canada. (2020). Labour force characteristics by census metropolitan area, three-month moving average, seasonally adjusted and unadjusted, last 5 months. Canada. Retrieved from https://www150.statcan.gc.ca/t1/tbl1/en/

Statistics Canada. (2020). Labour Force Characteristics by Province, Monthly, Seasonally Adjusted. Canada. Retrieved from https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410028703

The Globe and Mail. (2020, October 27). *Toronto to get $203M, Vancouver and Montreal to split about $108M more under city-specific housing plan*. Retrieved from The Globe and Mail: https://www.theglobeandmail.com/politics/article-toronto-to-get-203m-vancouver-and-montreal-to-split-100m-more-under/

Toronto Regional Real Estate Board. (2020). *Market Watch - April 2020.* Toronto: Toronto Regional Real Estate Board. Retrieved from https://trreb.ca/files/market-stats/market-watch/mw2004.pdf

Toronto Regional Real Estate Board. (2020). *Market Watch - June 2020.* Toronto: Toronto Regional Real Estate Board. Retrieved from https://trreb.ca/files/market-stats/market-watch/mw2006.pdf

Toronto Regional Real Estate Board. (2020). *Market Watch - March 2020.* Toronto: Toronto Regional Real Estate Board. Retrieved from https://trreb.ca/files/market-stats/market-watch/mw2003.pdf

Toronto Regional Real Estate Board. (2020). *Market Watch - May 2020.* Toronto: Toronto Regional Real Estate Board. Retrieved from https://trreb.ca/files/market-stats/market-watch/mw2005.pdf

Toronto Regional Real Estate Board. (2020). *Market Watch - October 2020.* Toronto: Toronto Regional Real Estate Board. Retrieved from https://trreb.ca/files/market-stats/market-watch/mw2010.pdf

Toronto Regional Real Estate Board. (2020). *Rental Market Report.* Toronto: Toronto Regional Real Estate Board. Retrieved from https://trreb.ca/files/market-stats/rental-reports/rental_report_Q3-2020.pdf

Urban Toronto. (2020, June 3). *GTA Housing Market Rebounds From COVID-19, But Still Far From Boom Days*. Retrieved from Urban Toronto: https://urbantoronto.ca/news/2020/06/gta-housing-market-rebounds-covid-19-still-far-boom-days

Urbanation. (2020, July 15). *GTA Rental Vacancy Rate Rises in Q2*. Retrieved from Urbanation Inc.: https://www.urbanation.ca/news/291-gta-rental-vacancy-rate-rises-q2

Urbanation. (2020, October 16). *Vacancy Rates Rise While Rents Continue to Decline*. Retrieved from Urbanation Inc.: https://www.urbanation.ca/news/304-vacancy-rates-rise-while-rents-continue-decline

Victoria State Revenue Office. (2020, June 12). *Vacant residential land tax - frequently asked questions*. Retrieved from Victoria State Revenue Office: https://www.sro.vic.gov.au/vacantfaq#35

A Review of Issues to be Considered for the Taxation of Vacant Homes in Toronto

Prepared for the City of Toronto

KPMG LLP

March 27, 2020

Document information and limitations

This document has been prepared by KPMG LLP ("KPMG") for the City of Toronto (the "Client") pursuant to the terms of our engagement agreement dated December 2, 2019 (the "Engagement Agreement").

Our review was based on research and analysis of publicly available sources and data, City-provided information, and select stakeholder consultations.

KPMG neither warrants nor represents that the information contained in this document is accurate, complete, sufficient or appropriate for use by any person or entity other than the Client or for any purpose other than set out in the Engagement Agreement. This document may not be relied upon by any person or entity other than the Client, and KPMG hereby expressly disclaims any and all responsibility or liability to any person or entity other than the Client in connection with its use of this document.

The procedures we performed do not constitute an audit, examination or review in accordance with standards established by the Chartered Professional Accountants of Canada, and we have not otherwise verified the information we obtained or presented in this document. We express no opinion or any form of assurance on the information presented in this document, and make no representations concerning its accuracy or completeness.

We express no opinion or any form of assurance on potential revenue, cost or schedule estimates that the Client may realize should it decide to implement the opportunities or options contained within this document. Readers are cautioned that the estimates outlined in this document represent order of magnitude estimates only and are calculated based on the stated assumptions. Actual results achieved as a result of implementing opportunities are dependent upon Client decisions and actions, and variations may be material. The Client is responsible for its decisions to implement any opportunities/options and for considering their impact. Implementation will require the Client to plan and test any changes to ensure that the Client will realize satisfactory results.

Table of contents

Executive summary **3**

1 Introduction **10**

1.1 Scope of this document ***10***

1.2 Structure of this document ***11***

2 Rationale for a VHT **12**

2.1 Toronto housing market conditions ***12***

2.2 Prevalence of vacant homes in Toronto ***15***

2.3 Purpose of a VHT ***16***

2.4 Profile and market motivations of a vacant home owner ***19***

2.5 Effect of vacant homes on the supply of affordable housing and rents ***20***

3 Tax design features **22**

3.1 Definitions ***22***

3.2 Exemptions ***23***

3.3 Levying the tax ***24***

3.4 Implementation ***26***

3.5 Operations ***28***

3.6 Measuring effectiveness ***29***

4 Jurisdictional review **31**

4.1 Vancouver ***31***

4.2 Melbourne ***39***

4.3 Paris ***44***

4.4 New York City ***47***

4.5 London ***47***

5 Implications for Toronto **49**

5.1 Impact on home carrying cost ***49***

5.2 Impact on number of vacant homes ***50***

5.3 Revenue potential ***51***

6 Summary of Observations **56**

7 Works Cited **58**

Executive summary

The City of Toronto ("City") engaged KPMG LLP ("KPMG") to provide independent research and analysis to inform the City's consideration of a vacant home tax ("VHT"). This document presents a high-level review of:

— the public policy rationale for a VHT;

— potential design features of a VHT;

— implementation and operational considerations of a VHT in Toronto;

— jurisdictional benchmarking of two comparable tax measures in Vancouver and Melbourne, as well as other relevant examples from other jurisdictions; and

— potential qualitative and quantitative impacts of a VHT in the Toronto context.

Jurisdictional benchmarking

Vacant home taxes can take several different forms depending on the desired public policy objectives for the measure.

Vancouver and Melbourne are illustrative examples comparable to the City of Toronto context. Both are the largest cities in their respective province or state; have growing populations exceeding two million people (greater metropolitan areas); and have experienced rapidly appreciating residential property values and rents, leading to challenges with housing availability and affordability for large portions of the population.

The main features of these case studies are described in the table below.[1]

Features	Vancouver	Melbourne
Tax measure	— Empty Homes Tax	— Vacant Residential Land Tax
Implementation date	— January 1, 2017	— January 1, 2018
Policy objectives	— To return empty or under-used properties for use as long-term rental homes for people who live and work in Vancouver	— To encourage land owners to make residential properties available for purchase or rent so that Melbourne's current housing stock is used as efficiently as possible
Tax rate	— 1% of assessed property value	— 1% of assessed property value
Definition of vacant	— Unoccupied for more than six months during the vacancy reference period — Periods of occupation must be at least 30 consecutive days in duration	— Unoccupied for more than six months during the vacancy reference period — Vacancy reference period means the calendar year prior to the then applicable tax year

[1] This table is a high-level overview of two VHT case studies identified as part of a broader jurisdictional scan. Each case study is described in further detail in Chapter 4.

Features	Vancouver	Melbourne
	— Vacancy reference period means the calendar year prior to the then applicable tax year	
Declaration method	— All residential property owners are required to make a declaration (“universal declaration”)	— Only residential property owners with vacant properties are required to make a declaration (“self-identification”)
Audit methods	— Random checks — Audits selected based on risk assessment	— Random checks — Tips and notifications from general public — Audits selected based on risk assessment and data from other state/federal agencies
Implementation cost	— $7.4 million	— Information not publicly available
Annual administration cost	— $2.9 million	— Information not publicly available
Authority to levy	— Municipal measure — Amendment to the Vancouver Charter	— State-level measure (Victoria) — Amendment to the State’s Land Tax Act 2005
Exemptions	— Redevelopment or major renovations — Medical care (up to 2 consecutive vacancy reference periods) — Rental restriction or prohibition — Change of 100% of ownership during the reference period — Court order prohibiting occupancy — Limited use of the property (e.g. property used exclusively for vehicle parking or inability to construct residential due to size limitations) — Death of property owner	— Change of ownership during the reference period — Property became a “residential” property during the year — Property used as a holiday home (occupied for at least four weeks of the year) — Property used and occupied for work purposes for at least 140 days of that year — Properties undergoing significant renovations or construction — Properties that form part of an estate for the recently deceased
Revenue generation	— Prior to implementation Vancouver did not forecast revenue, but expected revenues generated to cover the cost of operations with excess directed to affordable housing programs — $38.0 million raised for 2017 — $39.8 million raised for 2018	— Prior to implementation it was forecasted to generate approximately A$80 million (C$72 million) over the first four years — Media outlets have reported revenues as low as A$5.4 million ($C4.9 million) in the first year

Summary of observations:

- A universal declaration method is likely to produce the largest degree of participation from residential property owners, and therefore the greatest number of housing conversions, while also bringing in the highest revenue for the City. By contrast, a self-identification method is preferred if a primary objective is minimizing the administrative burden on home owners.
- A tax rate of 1% of the assessed value of the property is generally accepted as the standard based on the implementation of comparable vacant home taxes. In the Toronto context, it would equate to a value higher than the current property tax burden. However, if the City intends to have the greatest impact on housing availability and affordability and generate higher VHT revenues, a higher tax rate may be appropriate.
- An audit and compliance team (and appropriate audit protocols and procedures) should be established to identify home owners who are not compliant with the tax. Strict penalties for tax avoidance should be included as part of the VHT implementation.
- A six month vacancy period (out of a calendar year) seems to be the most appropriate timeframe to be used as a vacancy threshold, based on jurisdictional research. Using a period of six months ensures that properties are not left vacant for the majority of a year.
- Reasonable exemptions — such as for medical care, major renovations or recent sales or transfers — would excuse home owners who have legitimate reasons for leaving their homes vacant, and in most cases will reassume occupancy within a reasonable time period.
- If the City decides to implement a VHT, having the first VHT reference period begin January 1, 2021 would allow the City sufficient time to communicate the introduction of the tax and to develop the necessary systems and capabilities to administer the tax. It would also provide the City time to draft the required by-law, including identifying the required exemptions and penalty regime and working with the Province on the required regulation.[2] Although housing affordability is a pressing issue facing Toronto, rushing the implementation of a VHT could open the City to unnecessary risks. Spending sufficient time to prepare the required systems and educate the public will help enable a smooth rollout of the VHT.
- In order to implement a VHT, the City should consider the following steps:
  - Establish a dedicated project team to lead the implementation of a VHT;
  - Develop the by-law for a VHT;
  - Work with the Province to develop necessary regulations required by Bill 127;
  - Build IT systems to administer the VHT, including a declaration system, compliance/audit database and payment system;
  - Undertake extensive public education and awareness campaigns to ensure home owners are aware of the tax, applicability of the tax and requirement to report on an annual basis; and

[2] Having the first VHT reference period begin January 1, 2021, reduces the administrative and communications burden of either having a partial year of administering the tax in 2020 or having the tax applied across multiple calendar years (e.g. applying the tax from July 1, 2020 to June 30, 2021) and therefore not aligned with the current property tax payment schedule.

- Form an audit and compliance team to develop audit procedures and protocols, review annual declarations, identify non-compliance with the tax and create annual reports on the impact of the tax.

Implications for Toronto

Key findings from the jurisdictional review, stakeholder consultations and discussions with City staff include:

— **Purpose of a vacant home tax**:

- o The primary purpose of a vacant home tax is to reduce the prevalence of residential properties left vacant that might otherwise be used to increase housing availability. At an optimal rate, the tax will create a cost high enough that it leads to a property owner choosing either to sell or rent the home, while not creating an undue burden on owners who have to pay the tax.
- o Market conditions that lead to the implementation of vacant home taxes typically include steadily growing urban populations, housing scarcity (e.g. low rental vacancy rates) and rapidly appreciating residential property values. Additional housing stock released to the for-sale market should have positive effects on housing affordability — however these benefits are difficult to quantify.

— **Definition of a vacant home for VHT purposes**:

- o A 6-month period within a 12-month reference period (e.g. calendar year, fiscal year) would align to the Toronto context. This period of time acknowledges several life circumstances common for residents of Toronto, such as individuals who travel frequently for work, spend winters outside of Ontario or those who leave the city for extended periods of time (e.g. cottage, education, family obligations).

— **Timeline for identification of vacant homes**:

- o Toronto residents seeking to own or rent a place to live are currently experiencing significant challenges with low vacancy rates and high property values. A vacant home tax aimed at addressing housing availability and affordability issues in Toronto would need to be implemented in a timely manner if it is to achieve desired results in the near term. However, if the City were to rush its implementation, it risks communications and public education challenges, such as being able to effectively inform residential property owners about their declaration obligations and other implications.
- o A reasonable timeline would balance the urgency of the public policy objective with the necessary administrative and operational preparations required. For indicative purposes, the City could spend the remainder of 2020 developing internal capabilities, preparing the City's by-law and co-ordinating with the Province on the development of regulations required by the enabling legislation (Bill 127). Thus, the year 2021 could then be the first year the tax would apply, with the City conducting broad-based public education activities (e.g. strategic communications, public engagement, advertising, and website) to inform home owners throughout late-2020 and 2021. Home owners would be required to make declarations in early 2022 and billings would be sent one-to-two months later.
- o In order to enable the City to identify the most vacant homes in a timely and accurate manner, a universal declaration by all residential property owners would be an appropriate method. Specifically, each property owner would be required to declare whether their

property was “vacant” (e.g. unoccupied for 6 months of the preceding calendar year). This is the method adopted by Vancouver for its Empty Homes Tax.

— **Implementation of a vacant home tax:**
  - A key consideration will be the amount of time the City requires to communicate the vacant home tax to residential property owners and to prepare the administrative functions needed to levy the tax. As a reference, Vancouver spent approximately one year on these activities. Given the scale of Toronto and diversity of its residential property market, at least a year for implementation appears reasonable.
  - A key learning from the City of Vancouver’s implementation of its Empty Homes Tax was that Vancouver underestimated the amount of public communications required in order to bring sufficient awareness and understanding of the tax to the public. Vancouver needed to conduct additional public communications in the lead up to the declaration period in order to ensure the public was aware of the requirement to declare, but found that some homeowners claimed a lack of awareness of the EHT for not renting out or occupying their unit.
  - Vancouver identified that developing the audit and dispute functions in advance of the declaration period was important in order to increase compliance. Having the audit function established allowed the City to conduct audits and ensure compliance in a timely fashion, ultimately increasing the overall compliance with the tax. Additionally, Vancouver city staff identified that ensuring the evidence requirements were not overly onerous made the audit process efficient, while still ensuring overall compliance with the tax.
  - The City of Toronto could spend the rest of 2020 preparing the necessary collection systems, conducting public communications, and developing new internal capabilities, such as the unique audit and enforcement approaches required by a VHT. The vacancy reference period could then begin on January 1, 2021, on a go-forward basis. January 1, 2022, would be the first point at which the VHT could be levied. From an administrative and compliance perspective, it is most practical to have the tax apply to a full calendar year (i.e. January to December). Levying the tax in 2020 or 2021 would therefore be a significant, if not insurmountable, challenge.
  - The start-up cost for implementing the EHT in Vancouver amounted to approximately $7.4 million. This can be used as a proxy for start-up costs for Toronto. Understanding that Toronto is approximately four times the size of Vancouver, the start-up costs can be expected to be higher than $7.4 million. However, it is not likely to be a linear adjustment, as synergies are likely to exist throughout the implementation of such a tax. A conservative estimate that provides for an additional 50% over the start-up costs experienced by Vancouver would imply start-up costs for Toronto of approximately $11.1 million. These costs would likely be incurred over the course of the implementation period.

— **Revenue potential**:
  - A key consideration will be setting the optimal tax rate. An optimal tax rate would discourage property owners from leaving residential properties vacant (and therefore achieve the stated public policy objective of the tax) while not creating unintended consequences, such as forcing temporarily absent residents from their homes (e.g. “snow birds”, cottagers).
  - While the primary purpose of a vacant home tax is not revenue generation, given the potential volume of vacant homes in Toronto, the measure could generate material

additional revenues for the City. Policymakers may decide to dedicate this new revenue to similar housing-related public policy objectives (such as increasing the supply of affordable housing in Toronto).

- According to 2020 data from the Municipal Property Assessment Corporation ("MPAC"), there are approximately 789,000 taxable residential properties in Toronto, comprising single-detached, town homes, semi-detached, condominiums, and other dwellings (such as multi-plexes) classifications. The average assessed property value for these properties was approximately $700,000.
- If 1% of taxable residential properties were deemed vacant based on the VHT definition, the VHT would be levied on approximately 7,900 homes. The table below presents the gross revenue potential of a one, two, and five per cent VHT for the City of Toronto. A more detailed analysis of revenue potential is outlined in Chapter 5.

Tax Rate	Approximate Potential Gross Revenues based on 1% Vacant Homes
1% of assessed property value	$55 million
2% of assessed property value	$111 million
5% of assessed property value	$277 million

— **Comparison to other strategies to increase affordable housing**

- Based on other jurisdictions that have implemented a VHT, it can be an effective policy tool for reducing the number of vacant homes and generating revenue that can be used for affordable housing.
- A VHT can be one policy tool in a government's approach to increasing affordable housing, however it likely cannot be the only tool used. Based on the jurisdictional review, homes which are kept vacant would not generally be rented at rates which are affordable to lower income individuals. Additionally, a VHT would not be able to transfer sufficient homes to the market to meet the demand for affordable housing. For example, at the end of 2019 the City of Toronto waitlist for subsidized housing had approximately 102,000 households, which far exceeds any estimates of the number of vacant homes in Toronto.[3]
- Compared to other policy tools, the VHT is not expected to be a cost to the City. As long as the tax is set at a sufficient level and the cost of administration and implementation is similar to Vancouver, the VHT would generate sufficient revenue to cover the cost of administering and allow for revenue to be directed to other affordable housing measures.
- Implementation of a VHT could also be done quickly compared to other affordable housing measures. As the vacant homes are already constructed and unoccupied, these homes can be placed on the rental market relatively quickly. In comparison to other affordable housing measures, such as incentives to developers, which can require a number of years for buildings to be planned and constructed.

[3] (City of Toronto, 2019)

- In 2019, the City of Toronto Housing Secretariat administered $847 million in government investment for affordable housing. Additionally, the Secretariat leveraged $3,418 million in private and non-profit sector inputs for affordable housing. Based on the revenue calculations above, a VHT of 1% of the assessed property value could generate gross revenues of $55 million, or 1.3% of the total affordable housing investment administered or leveraged by the Secretariat. This suggests, that although a VHT could be an effective policy tool, it cannot be used in isolation to meet the affordable housing needs of the City.[4]

— **Measuring effectiveness**:

- Based on discussions with City staff and factors identified by Council, the primary objective of a VHT would be to produce a positive impact on housing availability and affordability across Toronto. This is similar to the objectives of other jurisdictions. The objective is not necessarily to maximize VHT revenues.
- As the City does not have existing reliable data on the number of vacant homes, the effectiveness of the tax should be analyzed based on the trend of annual vacant home declarations. Annual reporting and monitoring would be required to effectively measure the effects of the tax on housing availability and affordability.
- In order to measure the annual impact of the tax and to inform the public of the impact, the City should create an annual report that monitors the number of vacant homes, revenue received and trends over time.

[4] (Housing Secretariat, 2020)

1 Introduction

In 2017, Toronto City Council directed staff to prepare a report on the feasibility of implementing a vacant home tax. At the time, the City of Vancouver had recently implemented its Empty Homes Tax. Also in 2017, the Province of Ontario introduced “Bill 127”, which took effect on January 1, 2018. This legislation introduced amendments to the *City of Toronto Act* that granted the City, among other things, the ability to implement an “Optional Tax on Vacant Residential Units”.

Bill 127 stated that, should the City decide to pass a by-law, it could:

— “…impose a tax in the City on the assessed value, as determined under the *Assessment Act*, of vacant units that are classified in the residential property class and that are taxable under that Act for municipal purposes. 2017, c. 8, Sched. 4, s. 8.”

The two key requirements of the by-law are that it state:

1. the tax rate; and
2. the conditions of vacancy that, if met, make a unit subject to the tax.

In November 2019, Executive Committee requested that the City Manager and Chief Financial Officer and Treasurer bring forward a report with the 2020 Budget on “Implementing a Vacant Home Tax in Toronto.”

In December 2019, to support the ongoing work of the City, the City selected KPMG to perform independent research and provide evidence-based advice on issues related to the City’s consideration and potential implementation of a VHT.

1.1 Scope of this document

This document presents a high-level review of:

— the estimated prevalence of currently vacant homes in the Toronto real estate market;

— potential design features of an effective and efficient tax program;

— jurisdictional benchmarking of major cities that have considered a comparable VHT, including two case studies of highly relevant examples (Vancouver and Melbourne); and

— potential qualitative and quantitative impacts of a VHT (e.g. alignment to stated policy objectives of increasing the supply of housing and affordable rents).

The research, advice and initial design elements of a VHT will inform City Council’s evaluation of: (i) the applicability of such a measure in the Toronto context; and (ii) how to proceed to detailed design and the administrative investments required to implement a VHT regime, if necessary.

The City provided key elements of information for this document, including background on the desired public policy objectives and residential real estate data. KPMG supplemented its analysis with publicly-available information about the Vancouver and Melbourne case studies, Statistics Canada data, MPAC data and findings from stakeholder consultations.

1.2 Structure of this document

This document is organized by multiple chapters, to each address the various considerations required to effectively analyze a VHT in Toronto:

— Chapter 2 presents the rationale for a vacant home tax in Toronto, analyzing existing housing market conditions in Toronto and the intended purpose for a VHT. This chapter also outlines the profile and motivations of a vacant home owner, as well as the effect of vacant homes on housing affordability and rents within Toronto.

— Chapter 3 describes the potential design features of a vacant home tax. This includes the definitions of a vacant home and other terminology, along with considerations as to what might constitute a vacant home. This chapter also covers relevant administrative considerations, such as potential exemptions to the tax, the levying and implementation of the tax, and operations and approaches for evaluation of the effectiveness of the tax.

— Chapter 4 is a jurisdictional review of other municipalities and/or governments that have implemented similar taxes on vacant properties, namely Vancouver, Melbourne and Paris. This chapter describes the backgrounds, administration methods, impacts (on vacant homes and local housing markets), public perception, as well as applicability to Toronto for the different taxes reviewed in each jurisdiction.

— Chapter 5 highlights the implications for Toronto with regards to implementing a vacant home tax. Included in this analysis is a review of potential impacts of a VHT and the optimal tax rate for a VHT in Toronto, along with revenue potential that could be generated by the tax. Additionally, this chapter covers insights and considerations that Toronto may want to consider for the implementation of a VHT.

— Chapter 6 provides a summary of the various factors the City should assess in determining its approach to moving forward with the implementation of the VHT.

2 Rationale for a VHT

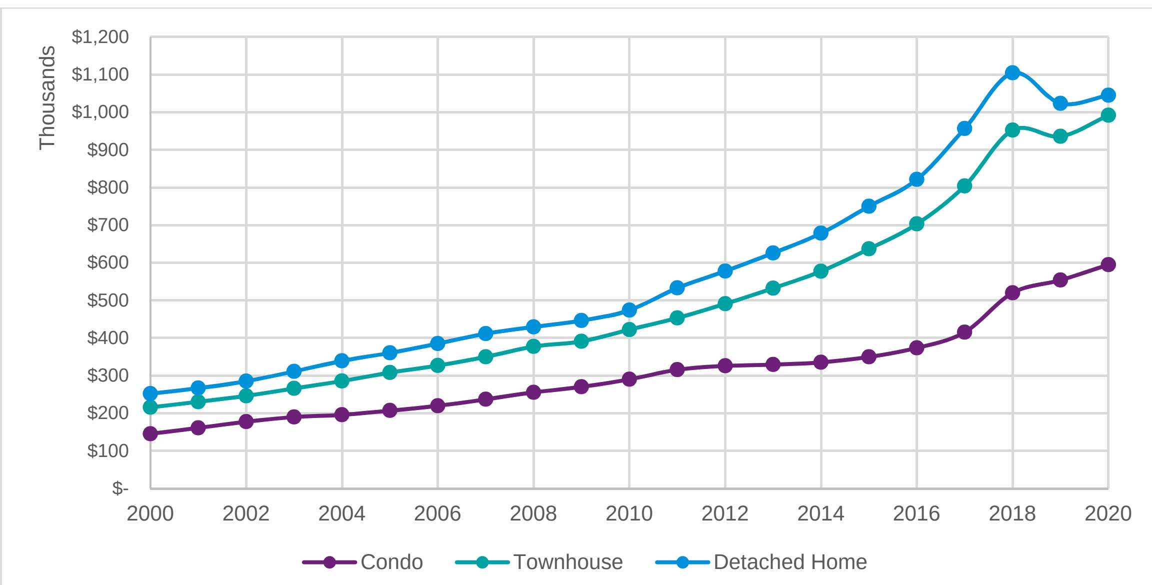
2.1 Toronto housing market conditions

Toronto is one of the fastest growing cities in the world. It consistently tops international rankings for livability, investment, innovation and development activity. That success fuels growth. It has led to significant population growth, sustained economic growth and an historic residential development boom.

Since 2011, Toronto's population has increased by over 300,000 new residents.[5] More than 40,000 new residents arrive each and every year, with over one million more residents expected by 2041. These new residents need spaces to live.[6] Over the past 10 years, over 157,000 residential units were completed in Toronto. Furthermore, over 160,000 potential new residential units are currently under review by the City.[7] But Toronto's success in growing its population has impacts on housing availability and affordability.

Housing prices in Toronto have reached record highs and are expected to continue to grow year-over-year for the foreseeable future. Between 2006 and 2017, rent for condominium units increased by over 30%,[8] while average home prices grew by over 130% for that same period.[9] Figure 1 below provides a visual representation of trends in sale prices in Toronto for different categories of homes between the years 2000 and 2020.

Figure 1: Trends in Toronto housing prices[10]



5 (Statistics Canada, 2016)
6 (Canadian Centre for Economic Analysis and Canadian Urban Institute, 2019)
7 (City of Toronto Planning & Housing Committee, 2019)
8 (Canada Mortgage and Housing Corporation, 2020)
9 (Canadian Centre for Economic Analysis and Canadian Urban Institute, 2019)
10 (Real Estate Bay Realty Inc. Brokerage, 2019)

Additionally, the size of residential dwellings is shrinking. As housing prices increase, homeowners are shifting their preferences towards smaller units, and developers are building a larger proportion of one- and two-bedroom units — typically condominiums, which accounted for 77% of all housing completions in the City of Toronto between 1998 and 2018.[11] The median condominium size built in 2016 and 2017 fell to 647 sq ft., a decrease of 5% from condominiums built between 2011 and 2015. The median-sized condominium built in the same period is nearly 40% smaller than units built around 1990.[12] This decrease in average housing size, coupled with increases in housing prices, means that residents are having to pay significantly more for notably less property.

In addition to rising housing prices, Toronto is experiencing very low levels of vacancy for residential units, with the rate of vacancy fluctuating between 1% and 1.5%.[13] The GTA rate of vacancy increased from 1.2% in 2018 to 1.5% in 2019. The increase in the rate of vacancy was primarily driven by an improved supply growth from purpose built rentals. Despite this increase, vacancies in the GTA remain low within a historical context. Low levels of vacancy typically mean that the real estate market cannot operate efficiently and effectively. There is not sufficient stock on the market to provide renters with a variety of housing choices and to facilitate changes in housing type when families' housing needs change. Housing advocates consider a healthy level of vacancy in the rental market to be around 3%.[14]

Toronto's population is growing steadily, and is now projected to grow at a faster pace moving forward than was previously expected. Toronto's population in 2016 was approximately 2.88 million people, up from approximately 2.70 million people in 2011, representing an average growth rate of nearly 35,000 people annually. Between 2016 and 2041, Toronto's natural growth is projected to be 1.03 million people — an annual average growth of approximately 41,000 people. This projected growth rate will bring the total population in the City of Toronto to approximately 3.56 million people in 2031, and 3.91 million by 2041.[15]

While the population in Toronto is projected to grow by approximately 36% by 2041, the accompanying growth in households is projected to be 32.5%. This population growth rate implies that Toronto requires approximately 50,000 new housing units annually to meet demand, while currently falling short at approximately 40,000 annually.[16] This suggests that there will continue to be persistent excess demand for housing in Toronto, with the primary constraint being the availability of residential dwellings.

2.1.1 Trends in Toronto population and home ownership

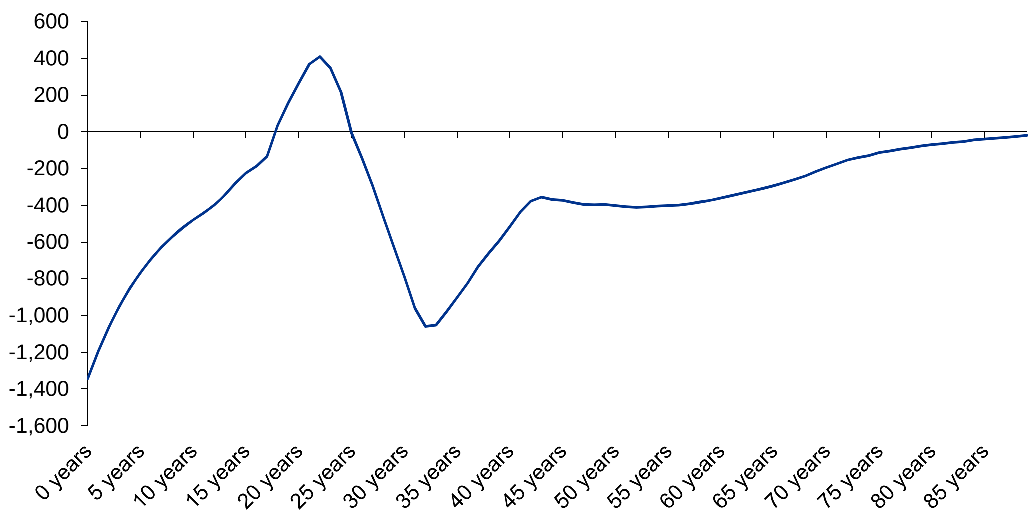
Recent population estimates show that Toronto's population continues to grow. Between July 1, 2018 and July 1, 2019 the population of Toronto grew by 45,742. However, the net intraprovincial population change (that is, population change within the Province of Ontario) for Toronto was negative, representing a decrease of 32,840 people. This means that 32,840 more people left Toronto for other locations in Ontario than the amount of people that moved from other locations in Ontario to Toronto. The largest source of population growth for Toronto was from international locations, with a net population increase of 62,649 to Toronto from other countries. Additionally,

[11] (Canadian Centre for Economic Analysis and Canadian Urban Institute, 2019)
[12] (Better Dwelling, 2019)
[13] (Canada Mortgage and Housing Corporation, 2019)
[14] (Ryerson City Building Institute, 2017)
[15] (Canadian Centre for Economic Analysis and Canadian Urban Institute, 2019)
[16] (Canadian Centre for Economic Analysis and Canadian Urban Institute, 2019)

Toronto's population had a net increase of 12,154 from natural causes (births less deaths) and a net population increase of 3,779 from provinces and territories other than Ontario.

Figure 2 below shows Toronto's intraprovincial population change by age. As indicated, there is a migration of residents leaving Toronto between the ages of 25 and 40 and between the ages of 0 and 10 for other locations in Ontario.[17] This suggests that parents with young children are leaving Toronto for other locations in Ontario. A potential reason for this migration is housing affordability, which may have caused some young families to seek out lower cost housing options in the broader GTA. Recent news reports suggest that young families are deciding to leave Toronto for neighbouring areas where they can purchase larger homes than they could afford in Toronto.[18]

Figure 2: Toronto intraprovincial population change July 1, 2018 – July 1, 2019[19]



Affordability gaps present a significant challenge to Toronto residents. Between 2006 and 2016, the median household income grew by only 25%, or approximately 2.2% per year. Meanwhile, median monthly payments for rented dwellings increased by 109%, or approximately 7.7% per year.[20] As the cost of housing continues to increase more rapidly than average income, so too does the affordability gap for Toronto residents. The Canadian Rental Housing Index, a database that compiles rental housing statistics for cities, regions and provinces across Canada, ranked the rental situation in Toronto as "critical", with about 23% of renters in the GTA spending 50% or more of their salaries on housing costs.[21] This level of spending is significantly higher than the 30% value that has traditionally been viewed as the benchmark for housing affordability, and represents a serious affordability issue for Toronto and the GTA.

A recent survey commissioned by KPMG in Canada found that increasing housing prices and rising personal debt are making it extremely difficult for many people to afford a home. The survey

---

[17] (Statistics Canada, 2020)
[18] (Ireland, 2020)
[19] (Statistics Canada, 2020)
[20] (Statistics Canada, 2016)
[21] (BC Non-Profit Housing Association, 2016)

included 2,500 Canadians, including 1,000 millennials between the ages of 23 and 38 who now represent the largest population generation in the country.

Key findings were:

— 72% of millennials say their goal is to own a home, while 46% say home ownership will likely be unattainable;

— 42% of millennial homeowners received a financial boost from their parents in order to purchase a home; and

— 38% of those surveyed believe that their house won't be worth as much in the future as it is today.

Household debt has reached record highs over the past 30 years, with the average debt-to-income ratio in Canada recently surpassing 215%, primarily as a result of mortgage debt.[22]

The combination of rising house prices, increasingly high levels of personal debt, and incomes that limit the dream of home ownership for many individuals and families presents a pressing public policy challenge with respect to housing.

2.1.2 Impact of Toronto's short term rental regulation

On January 31, 2018, City Council approved the regulation of short-term rentals in Toronto.[23] On November 18, 2019, the Local Planning Appeal Tribunal issued a ruling that upheld City Council's adopted zoning bylaw amendments for short-term rentals. The new regulation permits full home short-term rentals of fewer than 28 consecutive days across the city in principal residences only, for a maximum of 180 days a year. It is expected that these regulations will significantly reduce the number of homes being used as short-term rentals through platforms such as Airbnb.

Although the new regulation is currently in place, the licensing and registration process will not begin until spring 2020, with enforcement beginning in summer 2020. As the City begins the registration and enforcement process later this year, there will be significant changes to the short-term rental market in Toronto. In its February 2020 report, Fairbnb found that there were 7,354 entire home listings that would be non-compliant with the City's new regulation.[24] Listings were found to be non-compliant when the listing was for a full home rentals that was available for over 180 days in a year or for listings identified as non-principal residences. This represents approximately 1% of all Toronto residential properties (excluding purpose-built rental properties). Fairbnb analysis states that if half of the non-compliant home listings were returned to the long-term rental market, Toronto's vacancy rate would ease from 1.3% to 2.0%. As the short-term rental regulations come into full effect, there is likely to be a significant change to Toronto's housing market as some short-term rental homes are returned to the long-term rental market.

2.2 Prevalence of vacant homes in Toronto

It is difficult to identify vacant homes and to determine the motivations of those property owners. Data on home vacancy are not tracked on a continuous basis by the City, Statistics Canada or

---

[22] (KPMG LLP, 2019)
[23] (City of Toronto, 2019)
[24] (Fairbnb, 2020)

similar government agencies. Quantification is also challenged by the need to use an appropriate definition of vacancy and by privacy legislation and principles.

Statistics Canada uses census data to identify unoccupied private dwellings for the census year only. The definition of an unoccupied dwelling for the 2016 census is a private dwelling that meets the two conditions necessary for year-round occupancy (it has a source of heat or power and provides shelter from the elements) but that has no individual residing in it on May 10, 2016. This definition likely over-estimates the number of vacant home for the purposes of a vacant home tax, as it is a snapshot at a single point in time. Both Vancouver and Melbourne use definitions that extend over a reference period. For example, in Vancouver's model, a home must be vacant for 6 months. Using census data from 2016, and thus including all properties vacant on a single date (May 10, 2016), 5.6% of private dwellings were vacant in Toronto.

The City has completed a separate analysis on the prevalence of vacant homes. Using anonymized water consumption data, the City estimated that there were approximately 27,000 accounts out of a total of 470,000 individually metered properties that were classified as having low water consumption on average during the 2016 billing period.[25] Low water consumption was defined as daily consumption averaging less than 150 litres of water.[26] Other jurisdictions have used more stringent definitions for low water consumption of less than 50 litres of water daily. At this benchmark, the number of accounts identified drops to approximately 9,555 properties. This analysis suggests that between 2.0% and 5.7% of all properties analyzed had average water consumption levels at a level that could suggest the property is underutilized or vacant.

2.3 Purpose of a VHT

There are two primary objectives for implementing a VHT: transitioning vacant homes to the market and raising revenue for public policy objectives, such as affordable housing.

2.3.1 Transition vacant homes to the market

A vacant home tax is a fiscal policy instrument that can increase housing availability and affordability under certain market conditions, such as those associated with a shortage of housing options for widespread portions of the population. When demand for residential property significantly exceeds supply, residential property values will appreciate, leading an increasing number of property owners to view residential real estate not just as a personal dwelling or as a source of rental income, but also as a store of wealth. This leads to speculative investments. Residential units may be purchased and held until the maximum return on investment can be realized. In the interim, some property owners may leave these properties vacant for a variety of reasons. The profile and market motivations of vacant home owners are described in Section 2.4 below.

A shortage of housing stock will also drive up rents, limit the prevalence of vacancy and create additional competition for units. A VHT that is set at an optimum rate would disincentivize speculators from leaving properties vacant by eroding returns. If it is too expensive to keep a unit empty, speculators may choose to release units into the rental market while they hold them. Alternatively, the extra administrative and financial burdens associated with the VHT may induce them to not invest in the first place in a unit that they will just hold empty. In line with the principles

[25] Billing cycles varied by customer, with the 2016 billing period ranging between 345 and 380 days

[26] In 2018 the average household of three people used 657 litres of water per day in Toronto.

of supply and demand, with more units on the market to rent, there should be a positive influence on housing affordability, though this is difficult to quantify. Rate structures are explored further in Chapter 5.

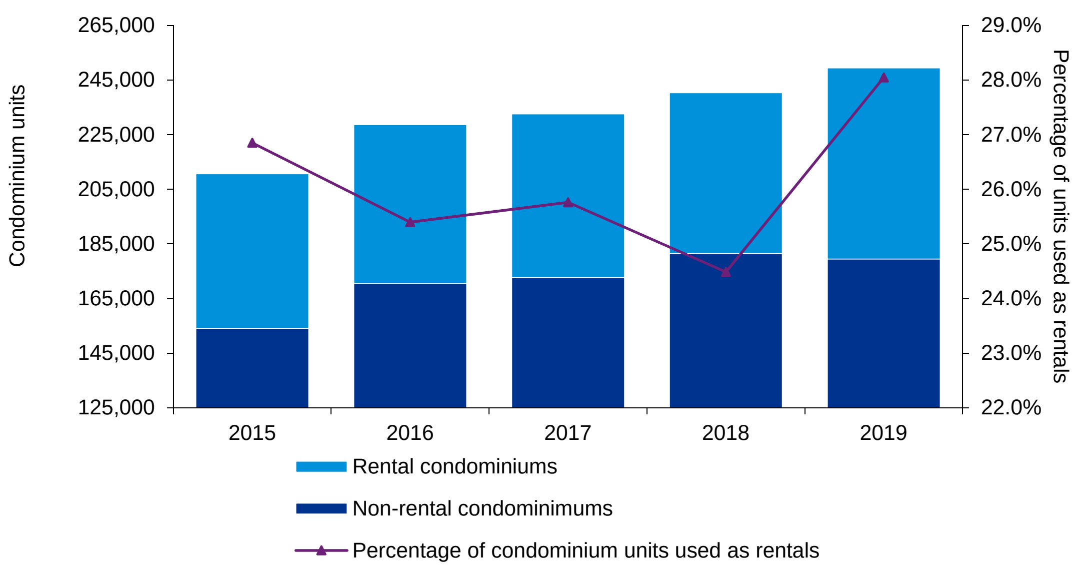
There will be lag time between the implementation of the tax and changes in behaviours of home owners. A vacant home tax would likely not be paid by home owners until at least a year after its implementation. Until a home owner has to pay the tax, it may not begin to impact their behaviour and ultimately transition vacant homes to the market.

Attributing the impact of a VHT to changes in a jurisdiction's housing market is difficult. The housing market is impacted by a plethora of factors, such as global economic trends, cost of financing, other government policy, and changing demographics. Although other jurisdictions have reported a decline in the number of vacant properties after the implementation of a vacant home tax, it is not possible to directly attribute the decline to the tax.

In Vancouver, there was a significant increase in the percentage of condominium units that were used as rental units in 2019, as shown in Figure 3. The first Vancouver EHT reference period was in 2017, however Vancouver staff stated that some market changes were likely to take a period of time to impact the market, as vacant home owners adjusted to the tax.

After a general decline in the percentage of condominium units used as rental from 2015 to 2018, there were over 11,000 net new condominium rental units in 2019. The percentage of condominium units used as rental units grew from 24.5% to 28.0% in 2019. As Vancouver completed approximately 9,000 new condominium units in 2019, this means that at least 2,000 units switched from non-rental to rental units in 2019.

Figure 3: Vancouver CMA condominium rental units[27], [28]



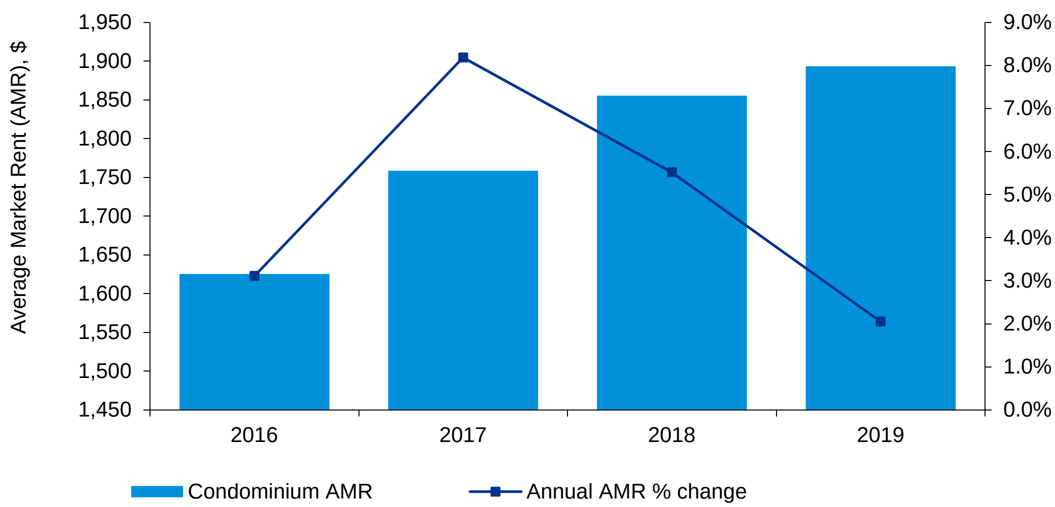
In addition to increasing the supply of housing available, transitioning vacant units to the market should theoretically impact the price of housing. The Canadian Mortgage and Housing Corporation

[27] (Canadian Mortgage and Housing Corporation, 2018)
[28] (Canadian Mortgage and Housing Corporation, 2020)

("CMHC") Housing Market Assessment framework states that when demand for housing outpaces supply, housing prices typically grow at a faster rate. When supply and demand begin to reach equilibrium, price increases tend to moderate.

Figure 4 shows the recent changes in average market rent ("AMR") for condominium rental units in the Vancouver census metropolitan area ("CMA"). In 2019, AMR grew at the lowest rate for the period of 2016 to 2019. Combined with the increase in condominium rental units made available in 2019, this suggests that the increase in rental units available had an impact on the annual increase in AMR. This supports the theory that by increasing the supply of housing, there will be downwards pressure on the cost of housing, moderating the increase in housing cost. While there are other factors that have likely impacted rental rates (e.g. other government policy, increase in condominium rental units, etc.), it can be reasonably assumed that the EHT has impacted rental rates.

Figure 4: Vancouver CMA condominium average market rent[29], [30]



Although it is not possible to demonstrate causation between the moderation in AMR growth rate and the increase in the number of rental condominium units following the introduction of Vancouver's Empty Home Tax, it is positive to see that there is a correlation with the implementation and administration of the tax with the desired outcomes.

According to the Toronto Real Estate Board's 2018 Market Year in Review & Outlook Report, a survey of 2,501 GTA homeowners found that 2% of existing GTA homeowners stated that they own a second home which they keep vacant.[31] Homeowners of vacant second properties were asked how they would respond to a vacant home tax. While the sample size was small, 38% would sell their investment property, 37% would rent to tenants and 25% would not change their behaviour.

[29] (Canadian Mortgage and Housing Corporation, 2018)
[30] (Canadian Mortgage and Housing Corporation, 2020)
[31] (Toronto Real Estate Board, 2018)

This suggests that following the implementation of a vacant home tax, a significant portion of the vacant homes would be returned the market, either through sale or rental.

2.3.2 Raise revenue for affordable housing

When discussing affordable housing, it is important to define terminology. The City's HousingTO 2020-2030 Action Plan resulted in a change to the definition of "affordable rent", from using a market-based definition based on a percentage of city-wide average market rent, to a definition that would recognize the ability of a household to pay based on 30% of its income.[32] This definition of affordable housing is expected to recognize the real ability of residents to afford housing. The City expects to update the definition annually.

Revenues generated from a VHT could be directed towards supporting public policy objectives, such as developing additional affordable housing. For example, in Vancouver, the Community Housing Incentive Program provided $25 million in grants in 2018 through funds from the EHT. This program supports non-profit and co-op housing developers in attracting funding partners for affordable developments. Additionally, a municipality could use the revenues from a VHT to acquire new land and/or buildings for affordable housing development, to provide rental subsidies, or to repair or expand current rental housing stocks.

Although there are a number of innovative ways in which governments can support the implementation of affordable housing, a core component of delivering affordable housing remains the provision of financial resources. Under the City's Open Door Affordable Rental Housing Program, the City expects to provide $67,465 per rental unit in fee waivers/exemptions over 40 years and $20,000 per rental unit in capital funding.[33] This is a total City investment of $87,465 to deliver a single affordable rental unit for 40 years. Revenue from a VHT could be directed to programs like this in order to expand the number of affordable rental units in Toronto.

Although a VHT can be a revenue tool for the City, it should not be relied upon as a long-term sustainable revenue source. This is because if the VHT is achieving its policy objectives of reducing the number of vacant homes, the revenue generated by the tax will decrease (assuming the VHT rate is not increased).

2.4 Profile and market motivations of a vacant home owner

Anecdotal case studies, a high-level market review and economic reasoning indicate that a primary reason for leaving a house vacant is the desire to speculate on market price appreciation. Some other investors simply see property as a store of wealth and renting the property is not financially necessary for the owner. Other reasons might include extended absences due to work, study or recreational lifestyle, such as spending winters in Florida or summers at a cottage or abroad.

Below is a summary of reasons a house is left vacant. Based on the jurisdictional review in Chapter 4, some of the reasons are generally deemed as exemptible from the vacant homes tax including:

— **Strata restrictions:** Based on the condominium strata, the rental of units is restricted and the unit is unable to be rented.

[32] (City of Toronto, 2019)
[33] (City of Toronto, 2019)

— **Medical care or recent death:** The occupier of the home is no longer occupying the home because they are receiving medical care or have transitioned to long term or a supportive care facility. Additionally if the owner of the home has recently passed away, the home should not be taxed.

— **Property uninhabitable:** The home is not currently in a state such that it could not safely be inhabited.

— **Construction:** The home is either under construction or undergoing significant renovation for which the necessary permits have been issued and work is being carried out diligently without unnecessary delay.

— **Recent sale or transfer:** The property has recently been sold or had a transfer of ownership. The new owners should not be required to pay the tax if the previous owner left the home vacant or if they have recently purchased the property but have not yet occupied the home.

Additionally, there are a number of reasons why an owner may leave a home vacant which has not generally been exempt in other jurisdictions.

— **Liquidity**: Leaving a home vacant makes it easier for an owner to quickly sell the unit and convert it into cash.

— **Aversion to becoming a landlord**: Landlords are legally required to comply with numerous obligations and regulations. Challenges associated with tenant relations may similarly deter individual home owners from renting out their vacant properties. Additionally, an owner may not have the time or inclination to manage a tenancy relationship.

— **Wear and tear**: A home owner may choose to leave a property vacant, instead of renting it out, to avoid the associated wear and tear on the property, and maintenance costs.

— **Seasonal, Recreational or Occasional Use**: Home owners may intend to use a residential property infrequently. Leaving it vacant provides them with more flexibility to use the property at short notice.

— **Inertia**: A home owner may intend to eventually occupy a property, renovate or rent it out to others but for whatever reason has not done so yet, leaving the home vacant.

2.5 Effect of vacant homes on the supply of affordable housing and rents

Calculating the precise impact of vacant homes on Toronto's housing supply and affordability is not possible given the range of potential market variables and lack of available data. Theoretically applying a tax against vacant homes should reduce the number of homes left vacant, as it increases the cost of leaving a home vacant.

Based on supply and demand economics, scarcity of a good generally increases the price of that good. As vacant homes have a negative impact on the housing supply, there is likely some upwards price pressure on housing prices in Toronto because of the prevalence of vacant homes. Implementing a vacant home tax should increase the housing supply in Toronto by transferring some vacant units to the market (either as rental properties or put up for sale by owners) and through the targeted use of revenues generated from administering the tax. Based on conversations with City staff it is expected that revenue generated from the tax could be used to fund affordable housing in Toronto.

The overall extent to which vacant homes are impacting the supply of affordable housing depends on a variety of factors, such as the types of homes currently being left vacant, their market price, and overall demand for homes of that type. Following the implementation of the tax, the City should rely on available data gained through administering the tax to conduct analytics to review the impact. The data should demonstrate that the tax is achieving its stated purpose. The tax can be modified or adjusted based on any insights.

It is unlikely that many vacant homes transitioned to the market will fall into the low and mid-range market rental housing segment of the housing continuum. For example, Vancouver found that many homes that were vacant were single family homes or condominium units that had an assessment value significantly above average. These homes would likely not be categorized as affordable housing units. However, transferring vacant homes to the market, would likely improve housing choice and affordability for a number of Toronto residents.

For example, transferring a three bedroom single family home to the market would provide a new option for family of four currently living in a two bedroom condominium. This family can then “right size” their housing by moving into the previously vacant home. This results in that condominium unit being made available for new residents. Although this example did not make any “affordable housing” units available, it increased the range of housing options available within the City.

In Vancouver, the number of homes declared vacant or exempt has decreased from 2017 to 2018. In 2017 there were 7,921 homes declared vacant or exempt, whereas in 2018 that fell by approximately 1,700 to 6,245. This suggests that 1,700 homes were transitioned from being vacant into the market between 2017 and 2018.

3 Tax design features

Per the enabling legislation (Bill 127), the City must pass a by-law to implement a vacant home tax in Toronto. That by-law must contain:

— the tax rate;

— the conditions of vacancy that, if met, make a unit subject to the tax;

— exemptions from the tax;

— rebates of tax;

— audit and inspection powers; and

— except as otherwise provided for in the regulations, the establishment and use of dispute resolution mechanisms.

This chapter provides research and analysis on these tax design features.

3.1 Definitions

A vacant home tax will require clear definitions for terms such as "vacant" and "home". Definitions used by Vancouver and Melbourne are shown below:

	Vancouver Empty Homes Tax	Melbourne Vacant Residential Land Tax
Vacant	Properties are considered vacant if they have been unoccupied for more than 6 months during the preceding calendar year.	Properties are considered vacant if they have not been lived in for at least 6 months (collectively) of the preceding calendar year. The occupation does not need to be by the same occupant or for a single continuous period.
Home	A residence is considered a "principal residence" if it is the place in which an individual usually lives, makes their home, and conducts their daily affairs. This is the place where the individual receives their mail and pays their bills from, including utility bills.[34]	Land that is able to be used solely or primarily for residential purposes, such as a home or an apartment.

The enabling legislation permitting the City to implement a vacant home tax requires regulations that define "vacant unit". A 6-month period within a 12-month reference year (e.g. calendar year, fiscal year) would align to the Toronto context. This period of time acknowledges several life circumstances common in Toronto, such as individuals who travel for work, or spend extended periods outside of Toronto (e.g. cottagers and snowbirds).

[34] (City of Vancouver, 2020)

Definitions used by other agencies may serve as a precedent. To maintain OHIP coverage, an individual may be temporarily outside of Canada for a total of 212 days in any 12 month period as long as their primary place of residence is still in Ontario.[35] Under certain circumstances, the Ontario Ministry of Health and Long-Term Care has extended absence provisions. These would cover absences due to studying outside of Canada, working outside of Canada and charitable work outside of Canada. In comparison to Ontario, in order to maintain coverage under the Medical Services Plan in British Columbia, a person must be physically present in B.C. at least six months in a calendar year.[36] In Vancouver's implementation of the EHT, they noted that by using an occupation aligned with the Medical Services Plan would reduce the number of snowbirds impacted, as many snowbirds would likely return to their primary residence to maintain their health coverage. As OHIP coverage allows for Ontario residences to remain out of the country for an additional 29 days (or approximately 7 months in total) compared to British Columbia's plan (6 months), a VHT with a 6 month occupation requirement may capture the primary residences of some snowbirds. Property taxes in Toronto are currently applied on a calendar year basis, with property assessment values and property tax rates revised annually. Utilizing a calendar year as the VHT reference period would align the application of other tax measures currently used by the City.

3.2 Exemptions

Given the range of residential property types in a large city, policymakers may seek to exempt certain types of property owners or classes of homes. The enabling legislation permitting the City to implement a vacant home tax requires regulations "prescribing persons and entities who are not subject to [the] tax".

Other jurisdictions have included the following exemptions.

Vancouver Empty Homes Tax	Melbourne Vacant Residential Land Tax
— Major home renovation requiring vacancy — Resident has been committed to a long-term care facility (for no more than 12 months) — Rental restrictions or prohibitions in place for the property — Transfer of 100 percent of the legal interest in the property was registered in the Land Title Office — Court order prohibits taking up residence in the property — Use of the property for rental purposes is curtailed due to factors such as size limitations — Property belongs to the recently deceased	— Change of ownership during the year — Property became a "residential" property during the year — Property is a holiday home for a minimum of four weeks in a year — The property is used and occupied for work purposes by the owner for at least 140 days — Significant renovations to the property (lasting no more than 2 years from date of building permit) — Property forms part of an estate for the recently deceased

35 (Ministry of Health and Long-Term Care, 2012)
36 (Province of British Columbia, n.d.)

Many exemptions could only be applied for one year, such as in the case of a recent death, after that the property would be subject to the tax. Vancouver conducted an evaluation of its empty home tax and found that its exemptions had created multiple unintended loopholes. Individuals were leasing residential properties to corporations they owned to avoid being assigned a vacant status. Vancouver has since modified its tax regulations to close these loopholes.

3.3 Levying the tax

The primary challenge to implementing a vacant home tax is identifying which residential units are truly unoccupied for the reference period. This will ensure that the tax can be levied and the desired outcomes achieved. While there are potentially several different methods, the most efficient and effective — and practical within a Toronto context — appears to be a decision between:

— **Universal declaration**, where all residential property owners are required to make a declaration; and

— **Self-identification**, where only residential property owners with vacant properties are required to make a declaration.

The type of declaration can generally be linked to the default assumption on occupancy:

— Under a system with universal declarations, the default assumption is typically that the property is vacant until and unless a declaration is made to the contrary.

— Under a self-identification system, the property is assumed to be occupied unless the owner indicates that it is vacant.

The advantages and disadvantages of these approaches are summarized in the table below.

Approach	Advantages	Disadvantages
Universal declaration	— Individual property owners are more directly accountable (They must claim occupancy to avoid the tax) — Larger dataset of responses allows for additional analysis — Lower evasion rate	— Higher administrative effort, with significantly more forms to be processed — More intrusive (All taxpayers must respond) — All homeowners must be aware
Self-Identification	— Lower administrative effort — Less intrusive to public	— Owners can more easily claim ignorance of obligations — Higher risk of avoidance — More education/public awareness required to ensure compliance (Response dependent on taxpayers taking the initiative and knowing that they have an obligation) — Higher level of enforcement required

3.3.1 Universal declaration

Under a universal declaration approach, declarations are likely to be required annually. Property owners would thus be required to declare the occupancy status of their property for the preceding calendar year. Failure of an owner to declare their property's status after the respective notice period would result in the property being considered vacant by default, which would then trigger liability for the vacant home tax. It is believed that the potential for incurring the tax for non-reporting should be sufficient incentive to ensure the declaration is made by the property owner. In addition, substantial penalties could be in place to act as a deterrent to property owners that might consider making false declarations. This approach has been applied in Vancouver since its implementation of an Empty Home Tax in 2016.

3.3.2 Self-identification

Under a self-identification approach, property owners are expected to self-identify vacant units to municipalities for the purpose of determining liability for the vacant home tax. Unlike the universal declaration approach, the self-identification approach assumes that properties are occupied unless declared as vacant. However, similar to the universal declaration approach, significant penalties would be in place to act as a deterrent to owners of vacant properties that may be tempted to not self-identify. This approach has been applied in Melbourne, Australia since the Victorian government implemented a Vacant Residential Land Tax in 2017. Based on conversations with observers of the Melbourne Vacant Residential Land Tax, it was identified that a major limiting factor to the effectiveness of the tax was using a self-identification method. Observers have suggested that despite the high penalty, with relatively minimal levels of enforcement, the tax has not been an effective way of reducing the number of vacant homes or increasing tax revenue.[37]

3.3.3 Direct identification

Under a direct identification method, data associated with each property, such as electricity and water utility usage, could be used to identify vacant properties without the need for an owner declaration.[38] However there are significant implementation challenges to such an approach, such as the prevalence of bulk metering in multi-unit residential buildings and data privacy protections embedded in legislation. Similarly, some units may be occupied, but have residents that use minimal amounts of water or electricity. It is likely that any attempt by the City to use personal data like electricity and water consumption would be met with significant public opposition. It remains unclear the extent to which the City could use these data to audit declarations or to resolve disputes. Further, electricity consumption data are controlled by Toronto Hydro and not directly accessible by the City. In regard to water and solid waste services, virtually all large residential condominium and apartment buildings have bulk metering and billing and therefore these utilities are generally useful indicators only for detached and semi-detached homes and townhouses.

3.3.4 Other considerations

The above mechanisms could be used in combination with a complaint-based method for compliance. Under a complaint-based approach, a municipality would commence an investigation into the occupational status of a property where a complaint was received of a suspected vacant unit(s). Such an investigation could then confirm whether a property was in compliance with the requirements of applicable by-laws surrounding a vacant home tax. Should the property be deemed unoccupied, it would then be liable under the applicable vacant home tax. Such an approach could also possibly used as an audit and enforcement mechanism with any of the above methods. Melbourne also relies heavily on the complaint-based approach for its Vacant Residential Land Tax.

In addition to a complaint-based system, compliance investigations can be initiated based on independent analysis completed by the taxing authority. For example, Vancouver reviews internal property and municipal data in order to identify homes for investigation. Factors that could result in an investigation include changes in vacancy status, recent sale, or changes in levels of municipal services. It is important for privacy requirements to be reviewed prior to using data for initiating investigations.

3.4 Implementation

The City of Toronto Act permits the imposition of a vacant home tax. When considering implementation and design of a residential vacancy tax, the associated costs would have two components, a start-up cost and the ongoing costs for operation. Based on the experience of jurisdictions like Vancouver as well as Toronto's own experience with implementing new taxes, the City would have to ensure that it employs:

---

[37] (Prosper Australia, 2019)

[38] Homes that consume zero litres of water per day would be identified as vacant. Additionally, units that consume less than 50 litres of water per day could also be considered as vacant, as this is the threshold that has been identified to account for significant water loss due to leaking pipes and/or taps.

- a project team to oversee the initial implementation and early troubleshooting;
- business support including internal subject matter experts in areas like revenue generation, tax policy, housing policy, legal services, and communications;
- development of a payment and reporting system, including audit, compliance and analytics capability;
- intergovernmental stakeholder management for the development of provincial regulations;
- public open houses and awareness campaigns;
- technical and professional services for website development, system configuration and testing; and
- hardware and software costs related to IT vendor costs and a design consultancy engagement to ensure that the infrastructure is properly designed and functional.

The start-up cost for implementing the Empty Homes Tax in Vancouver, including the above items, amounted to approximately $7.4 million. This was higher than Vancouver's estimated start-up cost estimate of $4.7 million. This can be used as a proxy for start-up costs for Toronto. Understanding that Toronto is approximately four times the size of Vancouver, the start-up costs can be expected to be higher than the $7.4 million. It is not likely to be a linear adjustment, however, as synergies are likely to exist throughout the implementation of such a tax, and should be considered in any such cost estimate. A conservative estimate that provides for an additional 50% over the start-up costs experienced by Vancouver would imply start-up costs for Toronto of approximately $11.1 million. These costs would likely be incurred over the course of the implementation period.

A significant amount of time will be required for the public policy and legislation work required to implement the VHT. Public consultation, Council decision(s) regarding the appropriate rules and regulations for the tax, and the drafting of legislation will all need to take place before the implementation can begin. It may be optimistic to assume that these steps could be completed before the end of 2020. Additionally, based on consultation with City staff, implementation of the VHT would likely entail using the period through 2020 to address policy and planning issues and to start the implementation of the required systems. Based on the above, it is assumed that the by-law and necessary regulations will be in place by January 1, 2021. Thus, 2021 would be the first year that the tax would apply, with the City conducting education and informing home owners at the end of 2020 and throughout 2021. Home owners would then be required to make declarations in early 2022, with billing occurring one to two months thereafter.

During the implementation process, regular communication and public engagement would be required. Public awareness campaigns would have to be run throughout the reference year, informing the public of the upcoming changes to their taxes. Inserts in utility bills and official City correspondence, along with radio, television, and other media advertisements would be appropriate. Campaigns would be required to inform owners of the intent of the VHT, as well as of new regulations regarding vacant homes. These campaigns would also be required to run throughout the initial taxation year, to remind property owners of the application of the VHT on vacant properties. The City should work with groups such as the Toronto Real Estate Board, Canadian Real Estate Association, individual condominium boards, and Condominium Authority of Ontario to ensure the impact of the VHT is communicated and understood.

One of the key findings from interviews with Vancouver city staff was that more effort was required to raise public awareness than they had projected. Vancouver needed to conduct additional public communications during the reference period and in the lead up to the declaration period in order to ensure the public was aware of the requirement to declare, but still found that some homeowners claimed a lack of awareness for why their home was left vacant or not declared (vacant or occupied) as part of the initial declaration process. Public awareness campaigns during the reference period was targeted at convincing vacant home owners to find ways to have their homes be occupied. Whereas, campaigns during the declaration period was focused on reminding all homeowners of the need to declare their vacancy status.

As part of the implementation of the new tax, adjustments to existing City systems would be required. A new module for the City's Tax Management and Collection System would be required, taking advantage of synergies with the existing property tax and land transfer tax systems. This system would handle the processing of applicable taxes for vacant properties, using the same property assessment information used in the existing property tax system. Furthermore, a front-end portal would be required for declarations of property occupancy status, as well as for initiating appeals and providing an interface for the public to interact on VHT-related issues. Consultation with the City's operational support group indicated that such work would likely require two to three developers working full-time for approximately three to six months. Additional work involved would include security features, integration testing, corporate access, and privacy testing. Although the City's existing system has proven to be dynamic in integrating new modules (e.g. the integration of the Municipal Land Transfer Tax), additional costs for hard capital such as servers and cloud services would also need to be considered.

The City will also need to develop an audit and compliance capability. This would require technology systems and new staff in order to support the ongoing audit and compliance functions. Having this capability in place prior to the declaration period will allow for audit and compliance checks to occur in a timely fashion and minimize the potential of tax avoidance from home owners.

In addition, a dispute resolution system would need to be implemented to handle appeals as necessary. The City of Toronto already has an appeals process in place for supplementary taxes and land tax appeals. As part of the Empty Homes Tax in Vancouver, an independent body was established to handle the appeals and dispute resolution process. Such a body would require a defined or independent dispute mechanism or process to handle VHT case considerations. If, however, an independent body was not set up, the City could follow a similar process to that used for land tax appeals.

The above system and capability implementations can take place the lead up and duration of the initial reference period, depending on the time requirements for each process.

3.5 Operations

As part of ongoing operations of a VHT, the City would need to employ staff that could handle:

— tax administration;

— review and compliance (audit);

— notice and advertising;

— IT support and maintenance; and

— 311 call centre and maintenance.

Given the novel nature of a vacant home tax in Toronto, a large portion of ongoing costs of operation would be spent to ensure compliance to the tax regulations and to educate property owners about their roles and responsibilities in regards to responding to the tax. Relevant operating costs would include salaries for inspectors and audit staff, IT services, and any hard costs associated with print, postage, and electronic services. The City of Vancouver hired approximately 10 individuals specifically for audit as part of their Empty Homes Tax review and compliance department – this was in addition to the administrative and IT resources required for operations and administration. The ongoing costs for operations for Vancouver's Empty Homes Tax amounts to approximately $2.9 million, annually. Using a similar approach to estimating the upfront costs, applying an additional 50% in costs to account for Toronto's larger size would imply annual operating costs of approximately $4.4 million. In the case of ongoing operating costs, there may however be fewer synergies and economies of scale, therefore it is possible that annual operating costs could be higher. As such, a conservative estimate of an additional 100% in costs would imply annual operating costs of approximately $5.8 million.

Vancouver identified that developing the audit and dispute functions in advance of the declaration period was important in order to increase compliance. Having the audit function established allowed the city to conduct audits and ensure compliance in a timely fashion, ultimately increasing the overall compliance with the tax. Additionally, Vancouver city staff identified that ensuring the evidence requirements were not overly onerous made the audit process efficient, while still ensuring overall compliance with the tax.

The intention is that a vacant home tax would be self-funding in that the revenue generated would be able to cover annual costs of administration, with any surplus revenue being directed to affordable housing programs or other City initiatives. Additionally, in order to ensure compliance with the tax, the VHT would need to have priority lien status in order to enforce unpaid VHT balances.

3.6 Measuring effectiveness

In order to evaluate the effectiveness of a VHT, the public policy objective should be clear. Based on discussions with City staff and on factors identified by Council, the primary objective of a VHT in Toronto would be to produce a positive impact on housing availability and affordability across the city. This is similar to the objectives of other jurisdictions. For example, the stated objective of Vancouver's Empty Homes Tax is to "return empty or under-used properties to use as long-term rental homes for people who live and work in Vancouver." The objective is not necessarily to maximize City revenues or to force owners to sell their properties.

As the City does not have existing reliable data on the number of vacant homes the effectiveness of the tax should be analyzed based on the trend of annual VHT declarations. Annual reporting and monitoring would be required to effectively measure the effects of the tax and ensure the VHT is continuing to achieve the public policy objectives. It can be reasonably assumed that by simply announcing the tax and its effective taxation date of January 1, 2022, some owners of vacant properties may seek out tenants in 2021 to avoid paying the tax. This would help the City in achieving its objective of releasing housing stock, but will be difficult to measure quantitatively.

In addition to using the data gained through declarations, the City should continue to monitor and analyze other sources of information, such as utility usage information, public surveys, and housing data to monitor the overall housing market and vacancy trends. In particular, the following issues should be evaluated on an ongoing basis:

- It would be appropriate to understand the evolution of vacancy rates over time, and factors other than the tax that may have had an impact on observed vacancy rates.
- It would be appropriate to understand the relationship between vacancy rates and market rents. This analysis may need to be done at the level of different types of units: release of vacant single family homes into the market as a result of the tax, for example, may not influence rental rates for smaller apartments.
- If greater occupancy is achieved through an increase in units that are rented, will this be in the form of units that have affordable rents? Or will there be an indirect trickle-down effect, with greater market rental options at the high end of the market resulting in more affordable rentals opening up as a result?
- Depending on the public policy objective (i.e. producing a positive impact on housing affordability versus raising additional revenues for the City), an optimal or acceptable split on housing conversions versus revenues will have to be determined. A desire to increase the supply of housing means that a policy that results in lower revenues but induces a high number of conversions would be considered more successful than one that produces higher revenues but produces limited evidence of conversion.
- What will revenue funds generated from the tax be used for? Will they be directed towards other affordable housing initiatives?

Ultimately, a vacant home tax should discourage maintaining vacant homes, either by returning units to the rental market or by encouraging owners to sell the property. The success of the tax will depend on a number of factors. Annual reporting and monitoring will be essential to successfully measuring the impact of the tax.

4 Jurisdictional review

This chapter provides a high-level summary of the conditions within jurisdictions that have implemented a vacant home tax. It focuses on publicly available and published data. A key outcome of the jurisdictional scan was to identify key learnings and takeaways for the implementation of Toronto's vacant home tax and identify any elements that are unique to the other jurisdictions.

4.1 Vancouver

4.1.1 Background of tax

In 2016, Vancouver was experiencing another year of record-setting housing prices. By early 2016, the average sale price of a detached home in Vancouver was over $1.8 million, and was approximately $0.72 million and $0.53 million for attached homes and condos, respectively.[39] In addition, residential rental prices continued to rise, while vacancy rates for both primary rental apartments and rental condominium units were declining. The average price for a rental unit rose by approximately 6.4% from the previous year, while the overall rental vacancy rate decreased to 0.7%.[40] Amplifying the issue further, numerous residential properties in Vancouver remained unoccupied, as they were being kept vacant by their owners. A report issued by the City of Vancouver in March 2016 estimated that the percentage of unoccupied homes in Vancouver was approximately 4.8% for all housing types, based on electricity consumption data. Fueled by strong demand for residential accommodation which outpaced new additions to the market supply, an abundance of underutilised and vacant properties, and strong employment and population growth, rising home and rental prices put the Greater Vancouver area as the most expensive real estate market in the country.

In an effort to help address the mounting pressures placed on Vancouver's housing market, Vancouver City Council approved the Empty Homes Tax ("EHT") in November 2016, with it coming into effect in January 2017. The primary intent of the EHT was to return empty and under-utilized properties to the market as long-term rental homes for residents of Vancouver. Any revenue generated by the EHT was intended to be a secondary benefit of the tax, with all funds collected to be directed towards investments in affordable housing in Vancouver.[41] The City's objective was for the tax to motivate owners of empty and under-used homes to rent out their properties, resulting in an increase in the rental housing supply.[42]

The tax applies to residential units that were vacant for more than six months in the preceding calendar year. The EHT is assessed by calendar year (January 1 to December 31), defined as the "vacancy reference period". The six months of vacancy do not need to be continuous.

The annual EHT was originally set at 1% of the property's assessed taxable value,[43] and is being increased to 1.25% for the 2020 tax year.[44] The assessed taxable value of a property is the value of

[39] (McElroy, 2016)
[40] (Canada Morgage and Housing Corporation, 2016)
[41] (City of Vancouver and Housing Vancouver, 2019)
[42] (City of Vancouver, 2020)
[43] (City of Vancouver, 2020)
[44] (City of Vancouver, 2019)

the land, buildings, and any other aspects of the property as determined by BC Assessment, and is different depending on the class of property involved.

4.1.2 Definition of vacant home

The City of Vancouver defines a vacant residential property as one that has been unoccupied for more than six months during the vacancy reference period.[45] The EHT applies to all Class 1 Residential properties within the city of Vancouver that were not used as a principal residence or rented for at least six months of the year, and do not qualify for an exemption.[46] Class 1 Residential properties include:

- single-family residences;
- multi-family residences;
- duplexes;
- apartments;
- condominiums;
- nursing homes;
- seasonal dwellings;
- manufactured homes;
- some vacant land;
- farm buildings; and
- daycare facilities.

The occupant does not need to be the same occupant over the six month period, nor does the occupancy need to take place over a single continuous period. However, occupancy must occur in periods of at least 30 consecutive days or more. It is not enough that the property is simply available for occupation (i.e. listed as a short term rental), the property must have actually been used/occupied for the required minimum amount. If the property was not rented out for at least six months of the tax year, the EHT will apply. The use and occupation must be as a principal place of residence or subject to an actual leasing arrangement.[47]

There are a number of exemptions to the above rules. Properties that would otherwise be subject to the EHT may be exempt from the tax if: [48]

- Legal ownership of the property changed during the current year. For example, a property would be exempt from the EHT if the property was sold and a new Land Title Number was issued during the vacancy reference period. The change of ownership must actually occur during the vacancy reference period – a property that was empty for more than six months of the year solely because it was listed for sale will still be subject to the EHT.
- The property was undergoing redevelopment or major renovations. This exemption is only applicable to properties that are undergoing active construction where all the necessary permits have been issued. Properties that are undergoing construction without the necessary permits will be subject to the EHT. Additionally, minor renovations do not qualify for an exemption.
- The property is used and occupied by the owner for work purposes. Properties that are occupied by the registered owner for a minimum aggregate of six months during the vacancy reference

[45] (City of Vancouver, 2019)
[46] (City of Vancouver, 2020)
[47] (City of Vancouver, 2019)
[48] (City of Vancouver, 2019)

period for the purpose of attending their workplace or conducting business in Greater Vancouver are not subject to the EHT.

- The property occupier was undergoing medical care. Properties that are unoccupied for more than six months of the vacancy reference period because the occupier was residing in a hospital, long term or supportive care facility, and had previously been using the property as a principal residence or occupying it as a tenant would be exempt from the EHT. All occupants must be residing in a care facility for the exemption to apply. This exemption is not allowed for more than two consecutive tax years.
- Death of registered owner. Properties that were empty for more than six months because the last registered owner became deceased are exempt from the EHT. This exemption applies for the vacancy reference period in which the property owner became deceased as well as the following vacancy reference period.
- Rental restrictions or prohibitions applicable to the property. For example, properties that were empty for more than six months because they are subject to a strata rental bylaw where the bylaw restricts rentals altogether or restricts the number of rental units are exempt from the EHT, provided that the maximum number of units allowed to be rented have been rented.
- The property is under a court order. For example, if a property is under a court order, court proceedings, or order of a governmental authority where occupancy is prohibited, the property will not be subject to the EHT. This exemption applies to owners who were prohibited from selling, occupying, or renting their property, but does not apply to properties that are uninhabitable due to inaction by the owner.
- A property is limited in use. For example, if a property is restricted for a specific use, such as vehicle parking, or the shape, size, or other aspect of the property precludes it from having a residential building constructed on the site, it will not be subject to the EHT.

In addition, properties will be exempt from the EHT if the lands are vacant, a heritage property, or part of a phased development – provided that an application to redevelop has been submitted and permits are under review. There are no exemptions for properties that are unoccupied for more than six months of the vacancy reference period solely because they are unimproved.[49]

4.1.3 Administration method

Vancouver's EHT is administered as a universal declaration program. All registered owners of residential property within the city of Vancouver are required to complete mandatory declaration forms each year, confirming the status of their property as occupied, exempt, or vacant during the prior reference period. If a resident owns a property that was unoccupied for greater than six months during the previous vacancy reference period, they must indicate as such on the mandatory declaration form, at which point the property will be subject to the tax. Mandatory declaration forms are mailed out to residents on or before December 31st of each year, and must be returned to the City by the second business day of February. Declarations are made through an online platform on the City website. Those that fail to submit their property status declaration(s) by this date will have their property /

[49] (City of Vancouver, 2020)

properties automatically declared vacant, and will be subject to the EHT as well as a $250 penalty for not submitting their declaration(s).[50]

In situations where there may be doubt surrounding the validity of a resident's declaration, the City can require the registered owner to provide additional information about their property ownership for up to 2 years after the initial declaration, regarding:

a) the property;

b) the identity and address of the registered owner;

c) the identity and address of any person occupying the property;

d) the status of the property; or

e) the nature of the occupancy of the property during the vacancy reference period.

As a means of data collection and enforcement, the City will periodically audit certain properties to ensure compliance with the tax. Using a combination of a risk-based approach and random audits, the EHT program verifies the validity of property status declarations. All property status declarations are subject to the audit process as per best practices for provincial and federal tax programs. As part of the audit process, registered property owners may be required to submit additional evidence to the City to support their declaration. Some of the evidence that the City may ask for as part of the audit are:

a) copies or certified copies of:

    i. government-issued personal identification, including, without limitation, driver's license, BCID card, British Columbia Services Card;

    ii. medical Services Plan or ambulance invoice;

    iii. income tax returns and notices of assessment;

    iv. tenancy agreements;

    v. wills, grants of probate, or grants of administration;

    vi. employment contracts, pay statements or records of employment;

    vii. verification of residence in long term or supportive care;

    viii. verification of educational enrolment form;

    ix. separation agreements;

    x. court orders;

    xi. insurance certificates for homeowners or tenants insurance; or

    xii. strata by-laws, minutes of strata meetings or records prepared or maintained by the strata.

b) statutory declarations or affidavits regarding the status of the property.

If required, auditors are authorized to enter onto residential property to verify its occupancy status if a registered letter was sent to the owner ahead of time advising of the inspection time and date, and

[50] (City of Vancouver, 2019)

a copy of the letter was posted on the property in advance of the inspection. Vancouver completed 6,231 audits in 2018, and 8,457 in 2019. In 2018, approximately 5 percent of the properties subject to audit were found in non-compliance, with the rate doubling to 10.5 percent in 2019.[51] Owners found non-compliant in their audits may submit a Notice of Complaint. If unsuccessful, owners may request a review by an external review panel.[52]

Since the introduction of the EHT, various loopholes have been identified and are actively being mitigated. Through the auditing process, City staff identified situations in which a property owner attempted to avoid paying the EHT on an un-occupied second home by entering into a rental agreement with a corporation (which they may own) or with a family member or friend who would not actually occupy the property. Some residents have also attempted to submit outdated rental agreements as proof of occupancy. The City has since modified the EHT to remove these loopholes.

For those properties which are subject to the EHT, an EHT tax notice is mailed to each registered owner of the taxable property / properties by the 10th business day of March. The City has the ability to reassess the status of a property after the fact, and can issue a supplementary EHT tax notice to change the status of a property if required. The City keeps records of the date(s) when vacancy tax notices and supplementary vacancy tax notices were mailed to registered owners, as well as any refunds of excess tax, penalty, and interest payments that have been issued and/or received.[53]

The annual revenue for each vacancy reference period is estimated on November 1st of that year. Late declaration and audit activities continue until the calendar year-end, and thus additional revenue after November 1 is rolled into the subsequent year's revenue results. If a payment for an EHT notice is not made by December 31st of the levied year, the outstanding amounts may be added to the owner's property tax account, with a commencement of interest (approximately 7%) accruing as of January 1.[54]

The administrative start-up costs for the EHT program included a one-time $7.4 million investment which covered the project implementation team, business support, technical and professional services, hardware and software, and contingency funds. The ongoing budgeted costs for the EHT are approximately $2.9 million, and include tax administration staffing, review and compliance staffing, notice and advertising, IT support and maintenance services, and a 311 call centre. These costs are funded by revenues collected from the tax.

Vancouver City Staff have indicated that initial assumptions for the resources and efforts required to adequately audit and enforce the EHT were underestimated. As of 2019, the City has approximately 12 staff responsible for administering audits.

4.1.4 Impact of tax on vacant homes

The principal objective of the EHT is to increase the supply of housing to the rental market. Although any revenues generated by the EHT were intended to be a secondary benefit of the tax, the City raised approximately $38 million from the tax in 2017 and $39.8 million in 2018. Figures for the 2019 tax reference period are not yet publicly available. Between 2017 and 2018 there was a 22% decrease in vacant homes, with the number of properties declared as vacant falling from 2,538 to 1,989. In

[51] (City of Vancouver and Housing Vancouver, 2019)
[52] (City of Vancouver and Housing Vancouver, 2019)
[53] (City of Vancouver, 2019)
[54] (City of Vancouver and Housing Vancouver, 2019)

parallel, the number of principal and tenanted residences rose 3% and 7% respectively during the same period of time.[55] However, due to the large array of factors that have influenced the property market since the introduction of the EHT, it is not possible to attribute these changes directly to the EHT alone.

Although revenue collected from the tax increased year-over-year, the City saw a decline in the number of vacant properties identified. Additionally, revenues generated were more heavily weighted from taxes applied to vacant apartment and condominium units compared to single and semi-detached homes. Approximately 77% of vacant homes identified in 2018 were condominiums, with 1.6% of Vancouver's total condominium stock identified as vacant, compared to only 0.5% for single family homes.[56] In comparison to 2017, 2.1% of condos and 0.6% of single family homes were declared vacant. This suggests that the number of vacant homes is declining over time. Furthermore, the assessed property value of the taxed units was higher than the overall average assessed property value in both categories.

Due to the relatively high number of property owners that opted to pay the tax, rather than renting out their property, the City of Vancouver is currently increasing the EHT rate. In November 2019, Vancouver City Council approved a 25% increase in the EHT rate for 2020 (to 1.25%), with provisions in the motion for additional 25% increases to the rate in 2021 and 2022.[57] The rationale behind this increase is that it will put additional pressure on owners to transition their empty homes to the rental market, as the higher tax would increase the cost of holding the home vacant, and potentially lead to owners renting or selling the property. Furthermore, additional revenues created by the increase will be put towards additional enforcement efforts and providing affordable housing for households with income less than $50,000 per year.[58] Given the infancy of the EHT, however, it is difficult to confidently determine the true impact that this rate increase might have on property owners' behaviour.

4.1.5 Impact of tax on housing market

As the EHT only came into effect in 2017, the direct impacts of the tax are difficult to evaluate. Additionally, a number of government policy changes occurred near the time of implementation, further obfuscating the impact of the EHT. These changes include the BC Foreign Buyers Tax and the BC Speculation and Vacancy Tax.

In 2018, the CMHC reported that rental vacancy rates in purpose-built rental apartments in Vancouver had decreased slightly between 2017 and 2018; from 0.9% to 0.8%. This was attributed to a strong local economy contributing to growing rental demand, while the high cost of entry-level homeownership was keeping some residents in rental housing for longer periods. There are early indications that rental prices are weakening, however it is unclear whether those price reductions are attributable to the EHT or the broader housing market in Vancouver.[59]

In 2019, the Vancouver region saw over 11,000 condominium and apartment residential units come onto the rental market. This exceeded the 9,000 newly-built apartments which were completed in 2019, suggesting that upwards of 2,000 existing condominium units were added to the city's rental stock. This was even more pronounced in downtown Vancouver, where approximately 3,000

[55] (City of Vancouver and Housing Vancouver, 2019)
[56] (City of Vancouver and Housing Vancouver, 2019)
[57] (City of Vancouver, 2019)
[58] (City of Vancouver, 2019)
[59] (CTV News, 2019)

condominium and apartment residential units were added to the rental market, while only 300 new units were built. It has been suggested by City staff that the transfer of condominium and apartment units to the rental stock is a result of policies such as Vancouver's empty homes tax.[60]

There has been a considerable range of factors that have influenced the property market since the introduction of the EHT, so isolating the effects of the tax and/or attributing these occurrences to the tax alone is not possible.

4.1.6 Vacant home owners profile

Vancouver has been experiencing issues surrounding how owners use residential properties for some time. Speculative ownership of residential properties is thought to be a driving force behind rising rent and housing prices in Vancouver, along with much of the province. Additionally, many claim that foreign buyers are the primary culprits behind the trend, purchasing homes and displacing residents who find that housing has become unaffordable. Furthermore, there is concern that housing purchased by foreigners is more likely to remain vacant. In 2016, in an effort to slow foreign ownership of residential properties within Vancouver, the city introduced the Foreign-buyers Tax – an additional property transfer tax of 15% on all residential property purchased by foreign buyers. Then, in 2019, the Province of British Columbia introduced the Speculation and Vacancy Tax – an additional tax of between 0.5% and 2% paid out when a property is vacant – in an effort to discourage speculative ownership of residential properties. A Statistics Canada report published in 2017 indicated that approximately 4.8% of all residential properties in Vancouver were owned by non-residents,[61] however it is difficult to determine how much of the current vacant stock of housing is locally owned compared to foreign owned.[62]

There are multiple motivations for owners to keep their property vacant in Vancouver. Conversations with public officials at the City of Vancouver indicated that it is too early in the EHT's lifecycle to create definitive profiles of vacant home owners, however, at a high level they have found that vacant home owners fall under a number of categories, including:

- **Retirees**: These individuals own properties in Vancouver but have relocated in their retirement to other parts of the country or abroad. As a result, the property tends to be used sparely and is often reserved for when these individuals return to the city to tend to personal matters. Retirees are often reluctant to rent their properties because they wish to use them at their convenience.
- **Non-resident speculator**: Data on non-resident ownership in Vancouver is not widely available to the public as much of it still under development. However, it is estimated that non-residents of Vancouver own approximately 5.1% of total residential property value in the city.[63] These include foreign nationals and Canadian citizens who live abroad but do not include Canadian corporations that have a foreign director or owner. Due to data privacy reasons, Vancouver is unable to directly quantify the number of non-resident speculators that own vacant properties.
- **Domestic speculators**: In high demand real estate markets, domestic speculators tend to buy and hold property in anticipation of rapid appreciation. The Royal Bank of Canada released a report in 2016 that suggested that speculators may be holding onto their properties in order

[60] (Bula, 2020)
[61] (Statistics Canada, 2017)
[62] Privacy restrictions limit the information publicly available regarding ownership information.
[63] (Statistics Canada, 2017)

achieve the greatest return. This becomes particularly likely when the real estate market is out-performing other types of investments.[64]

4.1.7 Public opinion

In general, public opinion regarding the EHT has been positive, due primarily to existing negative opinions towards vacant residential properties and their contributory effects to high costs of real estate in Vancouver. Criticism of the EHT has however been documented, much of which focuses on the fairness of evaluations. The City of Vancouver is currently facing multiple lawsuits regarding homeowners and developers disputing their evaluations. Some property owners who own second homes in Vancouver claim that they have been unfairly taxed, arguing that there are legitimate reasons for owning a second home in the city, and that such properties should not be subject to the EHT.[65] For example, some condominium owners claim that it is more practical to keep second properties vacant to be used when they visit the city (i.e. for family, occasional work, etc.) than to rent them out. They view the tax as a penalty for which they receive nothing in return. Others feel that the EHT unfairly targets retirees who might have seasonal properties elsewhere.[66] Public officials at the city of Vancouver have stated that much of the negative sentiment toward the EHT is due to the lack of understanding over the EHT, its relevant policy, and how it could potentially reduce housing costs. Vancouver staff indicated that greater levels of communication and more thorough public awareness campaigns may have led to fewer negative reactions from the public. Vancouver staff are confident that once better understood, cases of non-declaration and non-payment will continue to decrease.

From a municipal point of view, the EHT is largely seen to have been a success. Decreasing annual declarations are considered to be a positive result of the policy, and significant revenues generated are seen as an added benefit. As such, neighbouring municipalities such as West Vancouver and White Rock are now considering implementing their own similar versions of an EHT.

4.1.8 Applicability to Toronto

Toronto shares many similarities with Vancouver that make it a strong comparator jurisdiction. Both cities have experienced significant increases in housing costs over the last 5 to 10 years, and have sustained very low vacancy rates over a similar timeframe. Additionally, both face strong and increasing demand to live in the city, and are struggling to supply an adequate amount of housing to meet that demand. Furthermore, both cities are in provinces that have recently implemented provincial foreign buyers' taxes.

Although it is still too early to definitively conclude that Vancouver's EHT is producing its intended results, at a high level there has been a decrease in vacant properties within the city. If the City of Toronto were to proceed with implementing a VHT, Vancouver's experience in implementing their EHT should be taken into account for insights into the structure and components of the tax (i.e. administration, exemptions, enforcement, etc.). Furthermore, lessons learned with regards to understanding the effectiveness of the tax, as well as setbacks, loopholes, public perception, and potential changes/revisions being made to Vancouver's EHT should be considered in Toronto's initial implementation of a VHT.

[64] (Royal Bank of Canada, 2016)
[65] (Morton & Duran, 2018)
[66] (Morton & Duran, 2018)

4.2 Melbourne

4.2.1 Background of tax

In 2017, Melbourne — the largest city in the Australian state of Victoria, with over 1.7 million dwellings — was at the height of a property construction boom, at which point it was estimated that up to 3.9% of all residential properties were vacant (nearly 61,000 residential properties[67]), based on water usage data.[68] As a percentage of investor-owned rental properties, the vacancy rate was estimated to be as high as 16.2% of all rental properties – demonstrating more than $20 billion in vacant property.[69] Despite significant investment in residential property development and relatively high vacancy rates, prospective homebuyers and renters found it difficult to enter the market due to increasing housing prices coupled with an abundance of underutilised and vacant properties.

In an effort to help address the lack of housing supply in Victoria (specifically in Melbourne), the Victorian Government introduced the vacant residential land tax ("the VRLT" or "the tax") in March 2017, with it coming into effect in January 2018. The aim of the VRLT is to assure the availability of housing, and is intended to encourage owners to rent or sell their properties rather than providing additional revenue to the government. The intent is such that additional revenue generated by the VRLT will support affordable housing initiatives in Victoria. The VRLT affects properties in 16 inner-city areas of Melbourne. The tax applies to homes that were vacant for more than six months in the preceding calendar year. The VRLT is assessed by calendar year (January 1 to December 31), and the six months do not need to be continuous.

The annual VRLT is set at 1% of the capital improved value (CIV) of taxable land.[70] The CIV of a property is the value of the land, buildings, and any other capital improvements made to the property as determined by the general valuation process. For example, if a vacant home has a capital improved value of $1,000,000, the tax will be $10,000 owed annually.

4.2.2 Definition of vacant home

The Victorian Government defines residential property or residential land as land that is able to be used solely or primarily for residential purposes, such as a home or an apartment. This also includes land on which a residence is being renovated, or where a former residence has been demolished and a new one is being constructed. It does not, however, include vacant land or commercial residential properties.[71]

A property is deemed to be vacant if, for more than six months in the preceding year, it has not been lived in by either of the following:

— The owner of the property, or a permitted occupier by the owner, as their principal place of residence, or

[67] The study analyzed 1,579,906 dwellings out of a total possible 1,741,984. Dwellings not included were excluded because of data availability issues.
[68] (Prosper Australia, 2019)
[69] (Prosper Australia, 2019)
[70] (Victoria State Revenue Office, 2017)
[71] (Victoria State Revenue Office, 2017)

— A person under a lease or short-term letting arrangement made in good faith.

The occupant does not need to be the same occupant over the six month period, nor does it need to take place over a single continuous period. However, it is not enough that the property is simply available for occupation (i.e. listed as a short term rental). The property must actually have been used/occupied for six months or more. Furthermore, it is also not enough that the property is used intermittently or on a casual basis (i.e. by friends and/or family of the owner). The use and occupation must be as a principal place of residence or subject to an actual lease or letting arrangement.[72]

There are a number of exemptions to the above rules. Properties that are exempt from land tax are also exempt from the VRLT.[73] Such exemptions include:

— Principal place of residence, subject to the definition of 'taxable land'

— Primary production land

— Charities

— Rooming houses

— Crown land

— Municipal and public land

— Residential care facilities

— Retirement villages

— Land leased for outdoor sporting, recreational, or cultural activities by members of the public

In addition to the above exemptions, homes that would otherwise be subject to the VRLT may be exempt from the tax if:

— Ownership of the property changed during that year. For example, a property sold and transferred during one year is exempt from the following tax year. The change of ownership must actually occur during the calendar year – it is not sufficient that the property is simply available for sale or awaiting settlement of sale.

— The property became a 'residential' property during that year. For example, a commercial warehouse that was converted into residential apartments in one year is exempt from the following tax year.

— The property is used as a holiday home. Holiday homes that are occupied by the owner for at least four weeks of that year (whether continuous or in aggregate) are not subject to the tax in

---

72 (Victoria State Revenue Office, 2017)

73 Land tax is payable each year by owners of "taxable land" in the state of Victoria. Land is considered to be taxable land unless it is exempt land as outlined in the *Land Tax Act 2005 (Vic)*. Land tax is assessed on all taxable land of which the taxpayer owns, and is calculated on the "taxable value" of the land. The land's "taxable value" is determined by reference to the land's unimproved value, typically the value of the land excluding any improvements to the land such as buildings and fixtures. Land tax is required to be paid if the total taxable value of all the land owned within the State of Victoria, individually or jointly, as at December 31, is equal to or exceeds A$250,000. (PWC, 2019)

the following year. The owner must also have a principal place of residence in Australia in the relevant tax year.

— The property is used and occupied by the owner for work purposes. Properties that are occupied by the owner for at least 140 days of that year (whether continuous or in aggregate) for the purpose of attending their workplace or conducting business are not subject to the tax in the following year. The owner must have a principal place of residence in Australia.

Properties that are owned by companies, associations, or organizations are generally not eligible for these exemptions.[74]

In addition, properties that are undergoing significant renovations or construction are not considered vacant for the purpose of the tax for up to two years from the date a building permit for the construction or renovation was issued. This grace period may be extended under certain circumstances. Grace periods are also available if the vacant property forms part of a deceased estate, provided that the property was used and occupied as the owner's principal place of residence immediately prior to their passing. The grace period for a deceased estate is for up to three years. However, properties part of the estate that were not used as the principal place of residence are subject to the VRLT.

Finally, property owners who opt to rent their properties on short-stay accommodation sites, such as Airbnb, will find their property/properties are still subject to the tax if they are unoccupied for more than six months in a calendar year.[75]

4.2.3 Administration method

The administrative method for Victoria's VRLT is self-reported. If a resident owns a property that was unoccupied for greater than six months during a calendar year, it is their responsibility to notify the Victoria State Revenue Office (VSRO) by January 15 of the following year.[76] Failure by a resident to notify the VSRO of ownership of a vacant residential property is considered a notification default under the Taxation Administration Act 1997.[77] When this occurs, the owner will be held liable for penalty tax on the amount assessed in accordance with the state's revenue ruling on penalty tax and interest.

Owners that inform the VSRO by the January 15 deadline will be subject to an annual tax of 1% of the capital improved value of the vacant property. Additional penalty taxes are applicable to owners which do not disclose their vacant properties. Owners that miss the deadline of January 15 are encouraged to notify the VSRO as soon as they are able – late disclosures are treated more favourably than properties identified to be vacant through a formal investigation.

A breakdown of the penalty tax levels by percentage is below:

[74] (Victoria State Revenue Office, 2017)
[75] (Conveyancing, 2018)
[76] (Victoria State Revenue Office, 2017)
[77] (Parliament of Victoria, 2019)

Notification of Vacant Property / Properties	Penalty Tax (% of Assessed Amount)
The owner misses the annual deadline, but voluntarily notifies the state of vacant residential properties before an investigation is begun.	5%
The owner misses the annual deadline, but notifies the state of vacant residential properties after an investigation has begun.	20%
The state believes that the owner intentionally disregarded the law and hindered the state's investigation regarding vacant residential properties.	Up to 90%

Residents must notify the state office of their vacant properties using the state office's online portal. Within the portal, they are also able to claim exemption(s) from the tax, as well as nominate a representative to receive further correspondence about the tax should it be appropriate.

The VSRO conducts monitoring activities to make sure that vacant residences are being declared, including comparing data with that of other state and federal agencies, as well as conducting investigations, however the tax relies heavily on owners of homes reporting that their properties remain vacant. The state office encourages residents to submit tip-offs to notify them of suspected owners not complying with their obligations.

4.2.4 Impact of tax on vacant homes

The vacant residential land tax, while its principal objective is to increase the housing supply, was originally forecast to raise more than A$80 million — equivalent to approximately C$72 million — over its first four years. Because the VRLT only came into effect in 2018, there is currently little evidence on the impact of the tax to date. Initial mainstream media reports indicate that the tax is not performing as expected, allegedly bringing in approximately A$5.4 million (C$4.9 million) in its first full financial year compared to approximately A$20 million previously expected.[78] Water usage data suggests that there are between 14,000 and 21,000 properties using zero water within the VRLT boundary,[79] however, using a median property price, initial tax performance figures imply that only approximately 900 investors self-reported their property as vacant and paid the tax. Sufficient data is not yet available to ascertain if these low values are as a result of non-compliance, exemptions, or tax boundary limitations within Melbourne.

Various reports indicate that Melbourne's vacancy rate is remaining steady, while others state that it has continued to increase. Worth noting is that Melbourne has seen significant levels of dwelling completions as a result of the last property boom, which are likely to be impacting the vacancy rates as well.

4.2.5 Impact of tax on housing market

Because the VRLT only came into effect in 2018, there is currently little evidence on the impact of the tax specifically to date. Initial news reports indicate that the tax may not have had as large an effect on the housing market as intended, possibly because it only applies to select regions within the

[78] (Minear, 2019)
[79] (Prosper Australia, 2019)

Melbourne metropolitan area. Discussions with officials from the Government of Victoria indicated that the tax was intended to apply only to the regions within Melbourne experiencing the greatest issues with housing availability, however some housing affordability advocates believe that the tax should be applied to a larger area. In addition, there are others who believe that the tax is not material enough to make a difference (at 1% annually), along with too many properties being eligible for exemptions (most notably the 2-year window for construction of new units – much of Melbourne's available real estate was constructed after the most recent property boom).

Critics note that a higher tax rate would be more likely to incentivize property owners to adjust their behaviour and consider renting and/or selling properties that they might otherwise be speculating on. Additionally, the Australian housing market experienced a significant decline in housing prices during 2018, which saw dwelling values fall in price by approximately 5.8%.[80] In addition to this decline, there were approximately 2,000 extra rental listings available across the Melbourne metropolitan area over the previous year.[81] This decline in the housing market and increase in properties available may have been partially as a result of the VRLT. However there has been a considerable range of factors that have influenced the property market since the introduction of the tax, so isolating the effects of the tax and/or attributing these occurrences to the tax alone is not necessarily possible.

The Government of Victoria has not released their own reports on the impact of the VRLT to-date.

4.2.6 Vacant home owners profile

According to last year's annual report by The Foreign Investment Review Board, Melbourne remains the number one target for foreign investors in Australia, although domestic investors still account for the majority of those holding vacant properties. There has been some skepticism that foreign investors are purchasing properties simply to keep them empty, with some real estate professionals indicating that the vacancy data is more reflective of the new housing that is being constructed but has not yet been occupied for long enough to qualify as occupied.

It is not clear how much of the vacant stock of housing is locally owned compared to foreign-owned. However, the Melbourne central business district, which has drawn a significant volume of foreign investment, has the largest number of vacant properties, at just over 1,100 units or approximately 6.7% of its properties.[82] Interestingly, the primarily student residential areas in Melbourne had the highest ratio of vacant homes, at approximately 7.6% of properties being vacant.[83]

4.2.7 Public opinion

In general, the vacant home tax has been received positively in Melbourne. Due to the high cost and short supply of homes in Melbourne there has not been a lot of pushback from the public. One of the primary complaints about the Melbourne tax however is the number of exemptions and ease at which a home could be exempt. There has been some public sentiment that the exemptions are too easy to achieve, such as a vacation home or through short term rental platforms such as Airbnb, and have not actually returned vacant homes to the general housing stock. Some critics argue that the VRLT experienced a soft launch, due primarily to the self-reported declaration method chosen. There has

80 (Yardney, 2018)
81 (Owen, What the rental vacancy rate says about our changing housing markets, 2019)
82 (Bleby, 2015)
83 (Bleby, 2015)

also been some feedback from land owners who do not believe their land should be subject to the tax, particularly those with holiday homes and properties for intermittent use within Melbourne.

4.2.8 Applicability to Toronto

Melbourne and Toronto share multiple similarities that make Melbourne a relevant comparator to Toronto in the context of a vacant home tax. Both cities have experienced recent property booms, significant increases in housing demand, low vacancy rates over the past 5-10 years, and have struggled to supply adequate levels of housing to meet increasing demand. Furthermore, speculation investment is exacerbating the housing shortage by keeping a significant number of properties off the market as investors hold properties vacant as speculative investment vehicles rather than allowing them to be occupied for housing. According to Victorian adjusted rental listings, the City of Melbourne had a rate of vacancy of approximately 1.5%[84] in 2017, which is only slightly higher than Toronto's rate of vacancy of approximately 1% in the same year.[85] In addition, both cities exist within Commonwealth countries, and share similar structures of government, laws, and regulations, which allow for relevant comparison in the context of taxes and similar such initiatives.

Although it is too early to conclude on the effects of Victoria's VRLT on the housing market in the City of Melbourne, there are still insights and takeaways relevant to the City of Toronto. Should the City of Toronto ultimately proceed with the implementation of a VHT, they can look to Melbourne for initial insights on the structure and components of their tax (i.e. exemptions, enforcement, etc.), as well as lessons learned surrounding setbacks, loopholes, and potential changes/revisions being made to Melbourne's tax that could be incorporated into Toronto's initial implementation of a VHT.

4.3 Paris

4.3.1 Background of tax

The City of Paris introduced a tax on vacant residential units in 2015. The tax was introduced in an effort to reduce the prevalence of vacant residences in Paris, a long-standing public policy objective of local government. Over the 15-year period leading up to 2017, the number of unoccupied homes within Paris increased by approximately 43%.[86] According to one estimate, there were more than 100,000 vacant residential properties in Paris – approximately 10% of all residential homes. It was found that 40,000 vacant units had even been disconnected from the electrical grid – implying that the properties were almost certainly purely owned for speculative purposes. The issue was most prevalent in Paris's most popular neighbourhoods.[87]

The tax rate was originally set at 20% of the annual fair market value of rent for the taxable property. The introduction of the tax in 2015 was met with opposition from real estate agents and property developers. By 2017, the original tax rate of 20% was increased to 60% of the fair market value of rent, as it was perceived as not having had the desired effect of enticing owners of vacant properties to either rent or sell their properties.[88] Some media outlets have reported that the government is

[84] (Owen, Vacancies continue to rise in Sydney and Melbourne, 2019)
[85] (Canada Mortgage and Housing Corporation, 2019)
[86] (Porier, 2017)
[87] (Mason, 2017)
[88] (Hopkins, 2017)

considering additional increases to the tax rate to as high as 250%.[89] Deputy Mayor of Paris Ian Brossard, whose mandate includes housing in Paris, had stated that the goal of the tax was to eliminate "richer people's ghettos".[90] Increasing the availability of housing was also in line with the government's commitment to build more social housing across Paris.[91]

The introduction of the higher tax rate of 60% was expected to generate an additional CAD $63 million, which was intended to fund affordable housing projects within Paris. In addition to the vacancy tax, Paris also introduced caps on rent increases in 2016, and a tourist tax for residences using short term rental services such as Airbnb.[92]

While the tax has strongly been associated with Paris, it also applies to any dwelling located in a city of more than 50,000 inhabitants in a rental market considered to be experiencing imbalances between the supply and demand of properties.[93]

4.3.2 Definition of vacant home

Dwellings that are subject to the vacancy tax include those that have:

— been proven to be vacant and habitable for longer than one year;

— been vacant and habitable on January 1 of the tax year and January 1 of the previous year; and

— not been occupied for more than 90 consecutive days.

Dwellings that were occupied for more than three months, while exempt from the vacancy tax, are subject to applicable home owner taxes.[94] In addition, only dwellings for residential use are taxable. A dwelling is presumed to have a residential use if it is enclosed, covered, and provided with basic comfort (electricity, running water, and sanitary services). Dwellings requiring major work (representing approximately one quarter of the value of the dwelling, or greater) to become habitable are not impacted by the tax.[95]

Dwellings that are exempt from the tax include:

— those whose vacancy is involuntary (as a result of an inability to find an occupant);

— those that are occupied for at least 90 consecutive days during the year;

— those which are furnished accommodation held as a secondary residence and subject to housing tax; and

— illegally occupied accommodation (i.e. squats).[96]

The amount to be paid by property owners for the tax is determined by the annual fair market value of rent of the property. For example, if the annual fair market value of rent for a property was $36,000

---

89 (This Paris Life, 2019)
90 (Gréco, 2016)
91 (City of Paris, 2019)
92 (Mason, 2017)
93 (Impot Sur le Revenu, 2015)
94 (Impot Sur le Revenu, 2015)
95 (Jurifiable, 2020)
96 (Jurifiable, 2020)

(rent of $3,000 per month), the owner would be required to pay an annual tax equal to $21,600 (60% of $36,000). An additional management fee of 9% is then added to the payable amount.

4.3.3 Impact of tax on housing market

In an effort to incentivize homeowners to rent their vacant properties, the City of Paris introduced benefits in 2015 for owners who put their properties onto the rental market through a system known as Multiloc. Owners who utilize the system receive:

- an entry bonus of €2,000;
- a beautification and restoration bonus of €2,000 to €3,000 for accommodations that were vacant for less than six months, and €9,000 to €11,000 for accommodations that were vacant for more than 6 months; and
- a guarantee of unpaid rents up to €400.

In return, the owner must agree to rent the property for 20% below the reference median rent in the neighbourhood.[97] In order to qualify, owners are required to use a real estate agency that is part of Multiloc for a minimum of three years. Additionally, homes must:

- be bigger than $14m^2$;
- be vacant for over a month;
- be located within Paris;
- be an empty, furnished, or shared rental property; and
- be habitable (and meet associated habitability criteria).

4.3.4 Public opinion

Critics of the Multiloc system have argued that the incentives are not high enough to entice behaviour changes of owners in the lucrative Parisian market. Critics have also noted that real estate agents have not adequately promoted the program to potential renters – an element critical for the program's success.[98]

4.3.5 Applicability to Toronto

While there are a number of differences in the political, legal, and social compositions between Toronto and Paris, there are nonetheless lessons to be learned from Paris. Paris' current high housing density has narrowed the policy options available to Government in addressing housing affordability (such as increasing supply through construction). As Toronto becomes increasingly dense, Paris serves as a look at a potential future-state for the Toronto and an opportunity to explore the impact of high-density housing policies.

[97] (Lodgis, 2020)
[98] (Thépot, 2016)

4.4 New York City

In recent years, New York City has been experiencing a notable increase in 'pied-à-terres' and short-term vacation rental units. Since 2015, the New York City has seen an increase of nearly 20,000 such units, bringing the total number to approximately 2.1% of all available housing in New York City. More broadly, vacant units that were unavailable for rent due to occasional, seasonal, or recreational use totaled 75,000 units in 2017.[99]

In an effort to address the availability of affordable housing, New York City explored the implementation of a 'pied-à-terre' tax on luxury second homes. The objective of the tax was to generate revenue which would be used to help fund public transit in New York City.

The implementation of the tax gained momentum in 2019 following media reports detailing the sale of a USD $238 million apartment (to be used as a secondary home) in New York City. The movement was met with support with elected state officials, who drafted a bill aimed at addressing vacant secondary homes. However, once the bill became public, the real estate industry lobbied against it. Ultimately the government abandoned the tax. Instead, the government is exploring the introduction of a one-time fee on all real estate transactions over USD $3 million (although the exact threshold is still under review).[100]

There is disagreement among officials around how much revenue might be generated through a one-time fee as opposed to an annual tax. Some officials estimate that the one-time fee might generate between USD $300 million and $400 million. In comparison, initial estimates indicated that the 'pied-à-terre' tax would generate anywhere between USD $370 million to $650 million, annually.[101] New York City has not yet implemented either of the aforementioned programs.

4.5 London

London has long faced what is considered to be a 'housing crisis'.[102] The number of empty homes across England has increased for the second consecutive year to more than 216,000 (the highest level since 2012). Particularly, vacant homes in London have seen a notable increase by 11% to 22,481 – which represents £10.7bn worth of property.[103]

Since 2013, Councils in London have had the ability to impose a punitive 'empty homes premium' of an additional 50% increase in property taxes on vacant homes in the city. However, this policy has proven to be difficult to enforce, as homeowners are not obligated to report the occupational status of their properties.[104] In an effort to address the shortcomings of the policy, the premium was increased to 100% in 2017, however critics have argued that the change is still unlikely to lead to the sale or rental of the properties in question, as the overall increase to the annual property taxes is considered to be relatively small.[105]

Councils can charge up to double the amount of their Council Tax if a home has been empty for 2 or more years (unless the property is an annexe or the owner is in the armed forces). Each Council has the ability to determine criteria for discounts to the additional tax, and if an owner would qualify for

---

[99] (United States Census Bureau, 2018)
[100] (Wang, 2019)
[101] (Wang, 2019)
[102] (Dubiski, 2019)
[103] (Kollewe, 2019)
[104] (Pegg, 2016)
[105] (Brown, 2017)

said discounts. To receive an exemption, homes need to remain empty and fall under one of the following criteria:

- The property is being sold on behalf of an owner who's died as long as the property is unoccupied;
- The owner is in prison (excluding for not paying a fine or Council Tax);
- The owner has moved into a care home or hospital;
- The property has been repossessed;
- The property cannot be lived in by law (i.e. if the property is derelict);
- The property is a compulsory purchase and will be demolished.[106]

Homes undergoing major repair work or structural changes are eligible for an exemption. The property exemption is only valid until a 'completion notice' is sent by the Council.[107]

The low-use and vacant properties are primarily concentrated in small, desirable areas across the city, most notably the London boroughs of Chelsea and Kensington.[108] The value of low-use properties in the Chelsea and Kensington has been estimated at £21 billion. Overall, researchers estimate that in England and Wales, 39-47% of the population lives in an area where low-use properties are more expensive than permanently-occupied homes. Based on the estimates and current council tax base, changing the taxation to an empty homes tax of 1% of the fair market value of the home (similar to the policy implemented in Vancouver) could raise an additional £1.2 billion in taxes which is equivalent to 11% of the council tax currently collected in those areas. In London more specifically, the tax would raise an additional £2,100 per resident – the equivalent to 260% of current council tax in Chelsea and Kensington.[109]

Research by the University College of London argues that building new homes is not the solution to London's housing availability and affordability challenges, as increased supply is likely to lead to additional speculative property investments. Instead, the authors suggest that the government should focus on implementing a one percent tax on second homes within the city.[110] The researchers argue that the tax has the potential to generate considerable new revenue for local authorities, while encouraging the renting or sale of vacant properties.[111]

[106] (Government of UK, 2020)
[107] (Government of UK, 2020)
[108] (Knapton, 2019)
[109] (Springer, 2019)
[110] (Bourne, 2019)
[111] (Knapton, 2019)

5 Implications for Toronto

5.1 Impact on home carrying cost

Figure 5 below shows the impact of a VHT on the annual carrying cost of a home in Toronto. Assuming a 1% VHT rate (as a percentage of property assessed value), the analysis suggests that the impact of a vacant home tax would be an increase of between approximately 16% and 19% of the annual carrying cost of a dwelling in Toronto.

Figure 5: Impact of VHT on Annual Home Carrying Cost in Toronto[112]

	Single family detached	Town homes	Semi detached	Condominiums	Other
2020 phased-in MPAC assessment	**$990,956**	**$723,205**	**$719,338**	**$417,823**	**$895,527**
Property tax rate	0.61%	0.61%	0.61%	0.61%	0.61%
Property tax	$6,092	$4,446	$4,422	$2,569	$5,505
Garbage disposal	$186	$186	$186	$0	$186
Heating	$1,200	$1,200	$1,200	$0	$1,200
Home insurance	$1,404	$924	$924	$0	$1,404
Condo fees	$0	$0	$0	$5,357	$0
Mortgage	$44,619	$32,563	$32,389	$18,813	$40,322
Total carrying cost	**$53,501**	**$39,319**	**$39,121**	**$26,739**	**$48,618**
Incremental carrying cost of 1% tax	$9,910	$7,232	$7,193	$4,178	$8,955
Carrying cost with 1% VHT	**$63,411**	**$46,551**	**$46,315**	**$30,917**	**$57,573**
VHT as a % of base carrying cost	**19%**	**18%**	**18%**	**16%**	**18%**

— The impact of a VHT as a percentage of annual carrying costs is lowest for condominiums. This is because condominiums have a higher base carrying cost compared to other property types, due to the inclusion of condominium fees. The condominium fees are assumed to include amenities, heating, a/c, insurance, and garbage disposal. The condominium fee assumes a monthly cost of $0.69/ft^2 based on a median unit size of 647 ft^2 for new Toronto condominiums.[113]

— For the other property types, a VHT increases the base carrying cost by approximately 18%. Although a VHT at 1% increases municipal taxes by 164% for home owners, in order for the VHT to change behaviours of home owners, the VHT should be a significant cost increase. A VHT

112 (Municipal Property Assessment Corporation, 2020)
113 (Langschmidt, 2018)

would become the second highest annual cost of maintaining a vacant home, after the annual mortgage payment.

— For vacant home owners with a mortgage, the VHT would become the second largest cost of carrying the property. However, given home prices increased by 7% in 2019, a 1% VHT may not impact investor returns sufficiently for vacant home owners to transfer the home to the market.[114]

— The mortgage payment displayed in the above table was calculated assuming a 25 year mortgage for 80% of the 2020 assessed value, at a 2.9% interest rate. Garbage disposal assumes a small bin fee for 2020 after rebate.[115] A base heating cost of $100/month has been assumed for all non-condominium properties.

5.2 Impact on number of vacant homes

It is not possible at this point to quantify the impact a VHT would have on the number of unoccupied homes in Toronto. As there is not an accurate inventory of the number of currently vacant homes, nor how many homes would be subject to an exemption, accurately determining the number of vacant homes that could be made available for rent is not possible.

One possible method of calculating the impact on the number of unoccupied homes is by using the annual change in unoccupied properties in Vancouver from 2017 to 2018. As 2017 was the first year the EHT applied to Vancouver homes this method would underestimate the potential impact on the number of vacant homes, as the number of vacant homes was likely higher when the EHT was not in place in 2016. However, it provides a conservative baseline for the potential impact in Toronto.

The below table shows the percentage of homes declared vacant by property type in 2017 and 2018 for Vancouver. The rates state the number of homes which were declared vacant or exempt by the owner or were found to be vacant through an audit. In general, the rate of vacancy/exemption fell from 2017 to 2018 in Vancouver, which suggests that vacant home owners were adjusting to the impact of the EHT.

Figure 6: Percentage of vacant and exempt properties by property type in Vancouver[116]

	Vacant 2017	Vacant 2018	Exempt 2017	Exempt 2018	Vacant + Exempt 2017	Vacant + Exempt 2018	Vacant % Change (2017 to 2018)	Exempt % Change (2017 to 2018)	Vacant + Exempt % Change (2017 to 2018)
Single family	0.6%	0.5%	2.8%	2.3%	3.4%	2.7%	-20.0%	-21.7%	-23.2%
Condominium	2.1%	1.6%	2.9%	2.1%	4.9%	3.7%	-31.3%	-38.1%	-34.7%
Other	1.0%	0.8%	3.8%	3.3%	4.8%	4.2%	-25.0%	-15.2%	-15.0%

The below table illustrates the number of empty homes which could become occupied. The below analysis uses the 2020 number of properties in Toronto, a 1% empty home rate for all properties and the percentage change in vacant properties emulating the percentage change in Vancouver from 2017 to 2018. This would likely be a conservative estimate, as 2017 was the first year the EHT applied in Vancouver, which would likely be a lower vacancy rate than prior to the implementation of the tax. Based on these assumptions, the number of empty homes could be reduced by approximately 2,100

[114] (Toronto Real Estate Board, 2019)
[115] (Pelley, 2019)
[116] (City of Vancouver and Housing Vancouver, 2019)

with the implementation of a VHT. Note, a variety of factors will impact the potential change in empty units, and this is an illustrative example.

Figure 7: Illustrative Change in Vacant Homes from a VHT in Toronto[117, 118]

	Single family detached	Town homes	Semi detached	Condominiums	Other	Total
2020 number of properties	289,111	25,635	85,051	334,767	54,497	789,061
Baseline empty properties (1% of all properties)	1.0%	1.0%	1.0%	1.0%	1.0%	
Rate of empty properties based on Vancouver % change	0.77%	0.85%	0.85%	0.65%	0.85%	
Potential change in number of vacant and exempt units						
Baseline # of empty homes	2,891	256	851	3,348	545	**7,891**
Number of homes deemed empty after reduction	2,219	218	723	2,187	463	**5,810**
Decrease in number of vacant homes	672	39	128	1,161	82	**2,081**

5.3 Revenue potential

This section presents calculations of potential tax revenue scenarios at 1%, 2%, and 5% of the assessed value of homes based on three different levels of vacancy. These ranges are illustrative, in order to demonstrate the potential revenue potential of a VHT in the first year of implementation.

The total households presented in the table is based on the total number of residential properties in Toronto as defined through MPAC for 2020.[119] This does not include purpose built rental buildings, such as apartments. Multi-plexes are identified as individual properties, regardless of the number of units at a property. Condominium units are counted as individual properties.

The 2020 phased in assessment value[120] was used for calculating the assessed value for tax application purposes. Three different levels of vacancy were used in order estimate the number of vacant homes. A lower limit of 1% of homes deemed vacant for a VHT was considered because it is comparable to the vacancy rate in Vancouver after exemptions are considered. An upper limit of 5.6% of homes deemed vacant for a VHT was used based on the Statistics Canada point in time vacancy rate in 2016. The Statistics Canada vacancy rate is calculated as the total private dwellings not occupied by usual residents divided by the total number of private dwellings.[121] Finally, a rate of 3% of homes deemed vacant for a VHT was selected as an approximate midpoint between the upper and lower limits. This does not capture how homeowner behaviour may change following the implementation of a VHT.

Based on the preliminary assumptions outlined above, the amount of potential tax revenue generated by a tax rate of 1% of assessed property value ranges from \$55.5 million to \$310.7 million, depending

[117] (City of Vancouver and Housing Vancouver, 2019)

[118] Some values have been rounded for presentation purposes. In calculations, numbers have not been rounded.

[119] (Municipal Property Assessment Corporation, 2020)

[120] Under the phase-in provision of the *Assessment Act* an increase in assessed value is introduced gradually over four years in Ontario. This provides an additional level of property tax stability and predictability for homeowners.

[121] 'Private dwelling occupied by usual residents' refers to a private dwelling in which a person or a group of persons is permanently residing. Also included are private dwellings whose usual residents are temporarily absent on May 10, 2016.

on the vacancy rate considered. There are a number of factors that could influence the revenue potential of the VHT, including the type of dwelling and property value, but as indicated by this range, the vacancy rate can have a significant impact on the amount of revenue generated. As vacancy rates for different housing types are not likely to be equal across dwelling types, it is likely that actual revenue figures will reflect a combination of vacancy rates, housing types and assessed property values. Furthermore, the average assessed value of owner-occupied apartments (e.g. condos) is likely greater than that of rental units. As such, the high level estimates outlined here may be skewed.

As mentioned previously, it can be reasonably expected that the number of vacant homes in Toronto will decline on an annual basis following implementation of the VHT. In Vancouver, the second year of the empty homes tax saw a reduction in the total number of homes declared vacant by approximately 20%. This is likely due to a host of reasons such as changes in the housing market, additional awareness about an empty homes tax, and modified homeowner behaviour. If the number homes deemed vacant were to decrease by 20% from 1% to 0.8%, the net revenue of a 1% VHT as calculated in Figure 8 would decrease $11 million to $38.6 million (assuming no increase in property values year-over-year).

The table below shows potential revenue figures that could be collected depending on vacancy rates and tax rate scenarios for the different housing types in Toronto. For illustrative purposes, the revenue potential of the three tax rate scenarios has been provided. The potential revenue figures are indicative in nature and demonstrate the potential levels of revenue that the City could generate in the first year of implementation under certain variables for a VHT.

Figure 8: Potential Gross Revenue Scenarios for VHT in Toronto[122, 123]

	Single family detached	Town homes	Semi detached	Condominiums	Other	Gross revenue	Net revenue
2020 number of properties	289,111	25,635	85,051	334,767	54,497	**789,061**	**789,061**
2020 phased-in MPAC assessment	$990,956	$723,205	$719,338	$417,823	$895,527	**$703,232**	**$703,232**
Number of vacant homes for VHT purposes							
No. at **1% of all homes vacant**	2,891	256	851	3,348	545	**7,891**	**7,891**
No. at **3% of all homes vacant**	8,673	769	2,552	10,043	1,635	**23,672**	**23,672**
No. at **5.6% of all homes vacant**	16,190	1,436	4,763	18,747	3,052	**44,187**	**44,187**
Scenario 1: ***Tax revenue at 1% of assessed property value***							
Tax revenue at **1% vacant**	$28.6M	$1.9M	$6.1M	$14.0M	$4.9M	**$55.5M**	**$49.7M**
Tax revenue at **3% vacant**	$85.9M	$5.6M	$18.4M	$42.0M	$14.6M	**$166.5M**	**$160.7M**
Tax revenue at **5.6% vacant**	$160.4M	$10.4M	$34.3M	$78.3M	$27.3M	**$310.7M**	**$304.9M**
Scenario 2: ***Tax revenue at 2% of assessed property value***							
Tax revenue at **1% vacant**	$57.3M	$3.7M	$12.2M	$28.0M	$9.8M	**$111.0M**	**$105.2M**
Tax revenue at **3% vacant**	$171.9M	$11.1M	$36.7M	$83.9M	$29.3M	**$332.9M**	**$327.1M**
Tax revenue at **5.6% vacant**	$320.9M	$20.8M	$68.5M	$156.7M	$54.7M	**$621.5M**	**$615.7M**
Scenario 3: ***Tax revenue at 5% of assessed property value***							
Tax revenue at **1% vacant**	$143.2M	$9.3M	$30.6M	$69.9M	$24.4M	**$277.4M**	**$271.6M**
Tax revenue at **3% vacant**	$429.7M	$27.8M	$91.8M	$209.8M	$73.2M	**$832.3M**	**$826.5M**
Tax revenue at **5.6% vacant**	$802.2M	$51.9M	$171.3M	$391.6M	$136.6M	**$1,553.7M**	**$1,547.9M**

[122] Data derived from City of Toronto and MPAC calculations for each scenario. Assumptions are for illustrative purposes only.

[123] Some values have been rounded for presentation purposes. In calculations, numbers have not been rounded.

- For 2020 property tax purposes, Toronto has 789,061 residential properties that would need to declare vacancy/non-vacancy under a VHT. This excludes apartment buildings and considers multi-plexes as individual properties. Condominiums units are considered individual properties.
- The average 2020 phased-in MPAC assessment value is $703,232 across all property types.
- At 1% VHT rate of assessed value with 1% of all homes deemed vacant, the City would generate approximately $55.5 million in gross tax revenue. If the estimated steady state operating costs are considered with this revenue figure, the net revenue generated by the VHT would be approximately $49.7 million.
- The tax revenue presented should be taken as order of magnitude estimates based on the stated assumptions, such as the level of vacancy, and current assessment value. As the introduction of a VHT should influence the behaviours of vacant homeowners, the actual revenue generated through a VHT will vary based on a range of factors, such as the housing market, profile of vacant homes, and level of enforcement and can be expected to decrease on an annual basis due to reductions in the number of vacant homes in the city.
- Scenario 2 and 3 are shown in order to illustrate the potential revenue impact of setting the tax rate above 1%, at 2% and 5% respectively. In these scenarios, significant revenue can be generated even with 1% of homes deemed vacancy.
- As the VHT is calculated based on assessed value, as the assessment value of properties changes the tax revenue collected changes in a corresponding fashion. Between 2016 and 2020 assessed property values increased by 6.5% per year. If property values continue to increase, the amount of tax collected on an individual property would increase by a corresponding amount if the tax rate is left unchanged.

5.3.1 Revenue potential based on Vancouver data

This section analyzes the revenue potential of a VHT in Toronto, assuming a similar breakdown of vacant homes to that of Vancouver. The 2019 Vancouver EHT Annual Report includes data related to the breakdown of homes declared to be vacant.[124] The following adjustments have been made based on Vancouver:

- For 2018 in Vancouver, the assessed value of a vacant condo is 53% higher than the average condo ($1.4 million vs. $0.9 million)
- The assessed value of a vacant single family home is 40% higher than the average single family home ($3.4 million vs. $2.4 million) [125]
- The vacancy rate by property type was 1.6% for condos, 0.5% for single family homes, and 0.8% for other property types

Figure 9 below shows potential revenue figures that could be collected in Toronto, assuming similar trends for assessed values and vacancy rates to Vancouver. The potential revenue figures are

---

[124] (City of Vancouver and Housing Vancouver, 2019)
[125] As the Vancouver report did not identify assessed values of vacant homes for other property types, the single family assessed value percentage different was used for all non-condo property types.

indicative in nature and demonstrate the potential levels of revenue that the City could generate in the first year of implementation under certain variables for a VHT.

Figure 9: Potential Gross Revenue Scenarios for VHT in Toronto[126, 127]

	Single family detached	Town homes	Semi detached	Condominiums	Other	Gross revenue	Net revenue
2020 number of properties	289,111	25,635	85,051	334,767	54,497	**789,061**	**789,061**
2020 phased-in MPAC assessment	$990,956	$723,205	$719,338	$417,823	$895,527	**$703,232**	**$703,232**
Vacant properties % higher assessment	40%	40%	40%	53%	40%		
2020 adjusted vacant assessed value	$1,387,338	$1,012,487	$1,007,073	$639,269	$1,253,738	**$1,007,569**	**$1,007,569**
Percentage of vacant homes declared vacant	0.5%	0.8%	0.8%	1.6%	0.8%		
Number of homes deemed vacant	1,326	216	717	5,213	460	**7,933**	**7,933**
Potential revenue for VHT based on Vancouver vacant home profile							
Tax revenue at 1% of assessed property value	$18.4M	$2.2M	$7.2M	$33.3M	$5.8M	**$66.9M**	**$61.1M**
Tax revenue at 2% of assessed property value	$36.8M	$4.4M	$14.5M	$66.7M	$11.5M	**$133.8M**	**$128.0M**
Tax revenue at 5% of assessed property value	$92.0M	$10.9M	$36.1M	$166.6M	$28.8M	**$334.5M**	**$328.7M**

Under a scenario where Toronto has the same vacant home profile as Vancouver, the City would receive $66.9 million in gross revenue from a 1% vacant home tax. Approximately one-half of this revenue would be from vacant condominium units and one-third of the revenue would be from single family detached homes.

5.3.2 Impact on other municipal revenues

It is likely that implementing a VHT will impact the housing market in Toronto and potentially impact the revenues received by the City. As the housing market is impacted by a range of factors, such as economic conditions, other government policy, and individual preferences, assessing the potential impact of a single change is difficult. Based on discussions with Vancouver city staff, they have not identified an impact to the provincial Property Transfer Tax (PTT) based on the implementation of the EHT. However, it was noted that if the EHT reaches a certain level, some owners may choose to sell their property to a family member and pay the property transfer tax rather than incur the EHT. As the property would be transferred under this scenario, it would be exempt from the EHT for one declaration period. However, the purchaser of the property would be responsible for paying the PTT. Depending on the purchase price of the home, the PTT may be significantly lower than the amount of EHT that would have been received. In order to minimize occurrences of property transfers for nominal amounts, the City could remove the EHT exemption for property transfers that are significantly below the property's assessment value.

If the implementation of a VHT in Toronto encourages vacant home owners to sell their property rather than pay the VHT, this would likely lead to an increase in Municipal Land Transfer Tax (MLTT) received by the City. However, if it increases the number of total property listings, the VHT may supress the sale price of homes, which could result in lower MLTT revenues per property. In this scenario, there would likely not be a material negative impact to municipal revenues. If a VHT does encourage owners to sell their home, this would likely be new source of revenue that the City would not have received if the VHT had not been implemented.

[126] Data derived from City of Toronto, MPAC, and City of Vancouver Empty Home Tax 2018 annual report. Assumptions are for illustrative purposes only.

[127] Some values have been rounded for presentation purposes. In calculations, numbers have not been rounded.

Additionally, the implementation of a VHT should decrease the number of vacant homes, therefore increasing the number of residents of Toronto. The cost of providing some services, such as waste collection/processing, transit service, water service, and recreational programs, may therefore increase as the number of residents increase. In some instances, such as waste collection and water service, the City would see associated fee revenues for these municipal services.

6 Summary of observations

Based on discussions with City staff and research conducted relating to a VHT in Toronto, the primary motivation behind implementing a vacant home tax is to incentivize behavioural changes for owners of vacant properties in an effort to positively impact the supply and availability of housing within Toronto.

As observed through the jurisdictional review, there are different approaches used for identifying vacant homes – universal declaration or self-identification. In both instances, a six-month vacancy period was used as the vacancy threshold. Given the City's objective of increasing housing availability and affordability, it may be most appropriate to utilize a universal declaration approach for identifying vacant homes. Requiring property owners to declare whether their property is vacant or not, allows the City to establish a complete inventory of vacant properties in Toronto as it is expected that this approach is likely to get the largest degree of participation from property owners. While a self-identification approach may be less burdensome from an administrative standpoint, the higher volume of declarations (and thus, taxable properties), should outweigh the increase in administrative costs and efforts.

In addition to the declaration approach and establishing an inventory of vacant homes, the City should consider an appropriate tax rate to be applied for the VHT. As indicated in the jurisdictional review, both Vancouver and Melbourne used an initial tax rate of 1% of the assessed value of the property. Although not insignificant in value, there is concern in both jurisdictions as to whether the 1% tax rate is high enough to incentivize behavioural changes for property owners. Understanding that the City's objective is to incentivize property owners to either convert their vacant properties into rental units or sell the properties altogether, a higher tax rate may be more effective in reducing the number of empty properties quickly. An additional benefit of a higher tax rate is the potential for increased revenues that could be applied to a greater range of initiatives across the city, such as affordable housing. Strict penalties can also be included as part of the VHT to discourage property owners from attempting to avoid the tax.

However, if the City were to implement the tax at a high initial rate, there may be unintended negative consequences. A tax rate that is too high could cause higher rates of avoidance, public outcry, as well as impacts on the real estate market, such as a reduction in property prices and therefore a reduction in revenues from the MLTT. Setting the initial tax rate at a high initial level and then lowering it over time could impact public support for the tax. Setting the initial tax rate at 1% may be an appropriate starting point. In subsequent years as more data comes available, the City can modify the tax rate in order to optimize the desired outcomes. This is similar to Vancouver's approach, where they are now increasing the tax rate from the initial tax rate of 1%.

A VHT would allow the City to target homes which are chronically vacant and either shift these homes into the market or generate revenue that can be used for various City initiatives. If the City decides to implement a VHT, having the first VHT reference period begin January 1, 2021 would allow the City sufficient time to develop the necessary systems and capabilities to administer the tax. It would also provide the City time to draft the required by-law, including identifying the required exemptions and penalty regime and working with the Province on the required regulation. Having the first VHT reference period begin January 1, 2021 also reduces the administrative and communications burden of either having a partial year of administering the tax in 2020 or having the tax applied across multiple calendar years (e.g. applying the tax from July 1, 2020 to June 30, 2021) and therefore not aligned with the current property tax payment schedule. Although housing affordability is a pressing issue facing Toronto, rushing the implementation of a VHT could open the City to unnecessary risks.

Spending sufficient time to prepare the required systems and educate the public will help enable a smooth rollout of the VHT.

Any decisions with respect to a VHT will ultimately reside with Toronto City Council. Should Council decide to proceed and implement the VHT, the City's next steps should be to:

— Establish a project team to lead the implementation of a VHT;

— Develop the by-law for a VHT;

— Work with the Province to develop necessary regulations required by Bill 127;

— Build IT systems to administer the VHT, including a declaration system, compliance/audit database, and payment system;

— Undertake extensive public education and awareness campaigns to ensure home owners are aware of the tax, applicability of the tax, and requirement to report on an annual basis; and

— Form an audit and compliance team to review annual declarations, identify non-compliance with the tax, and create annual reports on the impact of the tax.

7 Works Cited

BC Non-Profit Housing Association. (2016). *Canadian Rental Housing Index Rental Housing Data*. Retrieved from Canadian Rental Housing Index: http://www.rentalhousingindex.ca/en/#intro

Better Dwelling. (2019, May 7). *Toronto Condos Are Shrinking In Size Much Faster Than Vancouver*. Retrieved from Better Dwelling Web Site: https://betterdwelling.com/toronto-condos-are-shrinking-in-size-much-faster-than-vancouver/#_

Bleby, M. (2015, December 9). *Almost 20pc of Melbourne's investor-owned homes empty*. Retrieved from Australian Financial Review: https://www.afr.com/property/almost-20pc-of-melbournes-investorowned-homes-empty-20151203-glee9q

Bourne, J. (2019). Empty homes: mapping the extent and value of low-use domestic property in England and Wales. *Nature*. Retrieved from Nature: https://www.nature.com/articles/s41599-019-0216-y

Brown, J. M. (2017, November 22). *UK Budget: Council taxes to double on empty properties*. Retrieved from Financial Times: https://www.ft.com/content/8e021d3a-cf91-11e7-b781-794ce08b24dc

Bula, F. (2020, January 19). Policies aimed at forcing condo investors to rent out their apartments in Vancouver are working, report suggests. *The Globe and Mail*.

Canada Morgage and Housing Corporation. (2016). *Rental Market Report, Vancouver CMA.* Vancouver: CMHC.

Canada Mortgage and Housing Corporation. (2019, October). *Historical Vacancy Rates by Rent Quartile*. Retrieved from Housing Market Information Portal: https://www03.cmhc-schl.gc.ca/hmip-pimh/en/TableMapChart/Table?TableId=2.2.33&GeographyId=2270&GeographyTypeId=3&DisplayAs=Table&GeograghyName=Toronto

Canada Mortgage and Housing Corporation. (2020). Housing Market Information Portal. Canada: Canada Mortage and Housing Corporation. Retrieved from https://www03.cmhc-schl.gc.ca/hmip-pimh/en/TableMapChart/Table?TableId=1.1.1.8&GeographyId=2270&GeographyTypeId=3&DisplayAs=Table&GeograghyName=Toronto#TableMapChart/3520005/4/Toronto%20(C)

Canada Mortgage and Housing Corporation. (2020). *Toronto - Historical Average Rents by Bedroom Type.* Ottawa: Canada Mortgage and Housing Corporation. Retrieved from https://www03.cmhc-schl.gc.ca/hmip-pimh/en/TableMapChart/Table?TableId=2.2.11&GeographyId=2270&GeographyTypeId=3&DisplayAs=Table&GeograghyName=Toronto

Canadian Centre for Economic Analysis and Canadian Urban Institute. (2019). *Toronto Housing Market Analysis.* Toronto: Canadian Centre for Economic Analysis and Canadian Urban Institute. Retrieved from https://www.toronto.ca/legdocs/mmis/2019/ph/bgrd/backgroundfile-124480.pdf

Canadian Mortgage and Housing Corporation. (2018, November 28). *Canadian Mortgage and Housing Corporation*. Retrieved from Rental Market Reports — Major Centres: https://www.cmhc-schl.gc.ca/en/data-and-research/publications-and-reports/rental-market-reports-major-centres

Canadian Mortgage and Housing Corporation. (2020, January 15). *Rental Market Report Data Tables*. Retrieved from Canadian Mortgage and Housing Corporation: https://www.cmhc-schl.gc.ca/en/data-and-research/data-tables/rental-market-report-data-tables

City of Paris. (2019, July 11). *MULTILOC'*. Retrieved from Paris: https://www.paris.fr/pages/louez-sans-crainte-avec-multiloc-2984

City of Toronto. (2019, November 26). *HousingTO 2020-2030 Action Plan*. Retrieved from City of Toronto: https://www.toronto.ca/legdocs/mmis/2019/ph/bgrd/backgroundfile-140650.pdf

City of Toronto. (2019, November 18). *Short-Term Rentals*. Retrieved from City of Toronto: https://www.toronto.ca/community-people/housing-shelter/rental-housing-standards/short-term-rentals/

City of Toronto. (2019). *Social Housing Waiting List Reports*. Retrieved from City of Toronto: https://www.toronto.ca/city-government/data-research-maps/research-reports/housing-and-homelessness-research-and-reports/social-housing-waiting-list-reports/

City of Toronto Planning & Housing Committee. (2019). *How Does the City Grow.* Toronto: City of Toronto. Retrieved from https://www.toronto.ca/legdocs/mmis/2019/ph/bgrd/backgroundfile-135594.pdf

City of Vancouver. (2016). *Empty Homes Research Study.* Vancouver: Vancouver Housing Initiative.

City of Vancouver. (2019, March 12). Vacancy Tax By-Law No. 11674. Vancouver, British Columbia, Canada: The Council of the City of Vancouver.

City of Vancouver. (2019, November 27). *Vancouver City Council approves 25% increase in Empty Homes Tax rate for 2020*. Retrieved from City of Vancouver: https://vancouver.ca/news-calendar/vancouver-city-council-approves-25-percent-increase-in-empty-homes-tax-rate-for-2020.aspx

City of Vancouver. (2020, February 4). *Empty Homes Tax*. Retrieved from City of Vancouver: https://vancouver.ca/home-property-development/empty-homes-tax.aspx

City of Vancouver. (2020). *Empty Homes Tax FAQ*. Retrieved from City of Vancouver: https://vancouver.ca/home-property-development/empty-homes-tax-frequently-asked-questions.aspx#pdSet46415

City of Vancouver and Housing Vancouver. (2019). *Empty Homes Tax Annual Report.* Vancouver: City of Vancouver and Housing Vancouver.

Conveyancing. (2018, April 17). *Everything you need to know about the new vacant property tax in Victoria*. Retrieved from Conveyancing Web Site: https://www.conveyancing.com/information-centre/everything-you-need-to-know-about-the-new-vacant-property-tax-in-victoria

CTV News. (2019, May 2). *Is Vancouver's pricey rental market softening? Landlords offering perks, discounts*. Retrieved from CTV News Vancouver: https://bc.ctvnews.ca/is-vancouver-s-pricey-rental-market-softening-landlords-offering-perks-discounts-1.4406258

Dubiski, K. (2019, May 24). *London's housing crisis is getting 'worse and worse,' agencies say*. Retrieved from CBC News: https://www.cbc.ca/news/canada/london/london-ontario-affordable-housing-crisis-1.5147252

Fairbnb. (2020, February). *Increasing Toronto's Vacancy Rate*. Retrieved from Fairbnb: https://fairbnb.ca/wp-content/uploads/2020/02/Fairbnb-Report_Feb.-2020_final.pdf

Financial Times. (2017, November 22). *UK Budget: Council taxes to double on empty properties*. Retrieved from Financial Times: https://www.ft.com/content/8e021d3a-cf91-11e7-b781-794ce08b24dc

Fumano, D. (2019, March 28). *A $75-billion snapshot of foreign-owned Vancouver real estate*. Retrieved from Vancouver Sun: https://vancouversun.com/news/local-news/dan-fumano-a-75-billion-snapshot-of-foreign-owned-vancouver-real-estate

Government of Ontario. (2019, December 10). City of Toronto Act, 2006, S.O. 2006, c. 11, Sched. A. *Act*. Toronto, Ontario, Canada: Government of Ontario.

Government of UK. (2020). *Council Tax: Second homes and empty properties*. Retrieved from Gov.UK: https://www.gov.uk/council-tax/second-homes-and-empty-properties

Gréco, B. (2016, May 15). *Ian Brossat : "Les ghettos de riches à Paris, c'est fini!"*. Retrieved from Le Journal du Dimanche: https://www.lejdd.fr/JDD-Paris/Ian-Brossat-Les-ghettos-de-riches-a-Paris-c-est-fini-785587

Hopkins, K. (2017, January). *Paris to Triple Tax on Second Homeowners*. Retrieved from Mansion Global: https://www.mansionglobal.com/articles/paris-to-triple-tax-on-second-homeowners-52550

Hopulele, A. (2019, August 29). *"Ghost" Homes Across Canada: A Decade of Change in 150 Cities*. Retrieved from Point2Homes: https://www.point2homes.com/news/canada-real-estate/ghost-homes-across-canada-decade-change-150-cities.html

Housing Secretariat. (2020, January 15). *2020 Budget Notes Housing Secretariat*. Retrieved from Budget TO 2020: https://www.toronto.ca/legdocs/mmis/2020/bu/bgrd/backgroundfile-141308.pdf

Impot Sur le Revenu. (2015, June 02). *Impôt Sur le Revenue. La Taxe Annuelle Sur Les Logements Vacants*. Retrieved from Impôt Sur le Revenue: http://impotsurlerevenu.org/taxes-annexes/1058-taxe-annuelle-sur-les-logements-vacants.php

Ireland, C. (2020, February 5). *Rise in Toronto home prices has downsizers and young families hitting the highway*. Retrieved from The Globe and Mail: https://www.theglobeandmail.com/real-estate/toronto/article-rise-in-toronto-home-prices-has-downsizers-and-young-families-hitting/

Jurifiable. (2020). *La taxe sur les logements vacants*. Retrieved from Jurifiable: https://www.jurifiable.com/conseil-juridique/droit-immobilier/taxe-sur-les-logements-vacants

Knapton, S. (2019, February 13). *£123 billion of property is barely used in Britain as experts call for Empty Home Tax* . Retrieved from The Telegraph: https://www.telegraph.co.uk/science/2019/02/13/123-billion-property-barely-used-britain-experts-call-empty/

Kollewe, J. (2019, March 11). *Number of empty homes in England rises to more than 216,000*. Retrieved from The Guardian: https://www.theguardian.com/society/2019/mar/11/empty-homes-england-rises-property

KPMG LLP. (2019, December 5). *Owning a home is becoming a pipedream for many millenials: KPMG in Canada*. Retrieved from Newswire: https://www.newswire.ca/news-releases/owning-a-home-is-becoming-a-pipedream-for-many-millennials-kpmg-in-canada-816322665.html

Langschmidt, A. (2018, January 17). *Toronto Cond*. Retrieved from Condos: https://condos.ca/blog/toronto-condo-maintenance-fee-study-2017

Lodgis. (2020). *Louer son bien avec le dispositif MULTILOC? Lodgis vous accompagne...* Retrieved from Lodgis: https://www.lodgis.com/fr/proprietaires/faq/louer-avec-le-dispositif-multiloc/

Mason, G. (2017, August 21). *For the solution to B.C.'s vacant-housing situation, look to Paris*. Retrieved from The Globe and Mail: https://www.theglobeandmail.com/opinion/for-the-solution-to-bcs-vacant-housing-situation-look-to-paris/article36033680/

McElroy, J. (2016, February 21). *One chart shows how unprecedented Vancouver's real estate situation is*. Retrieved from Global News: https://globalnews.ca/news/2531266/one-chart-shows-how-unprecedented-vancouvers-real-estate-situation-is/

McElroy, J. (2020, January 15). *Vancouver keeps crown as Canadian metropolis with highest rents and lowest vacancies*. Retrieved from CBC News: https://www.cbc.ca/news/canada/british-columbia/vancouver-cmhc-rental-highest-canada-2020-1.5426911

Minear, T. (2019, July 8). *Andrews Government's vacant residential property tax raises $5.4 million in its first year*. Retrieved from Herald Sun: https://www.heraldsun.com.au/news/victoria/andrews-governments-vacant-residential-

property-tax-raises-54-million-in-its-first-year/news-story/d1ab5392cf4107dde1f2a813abd49e6e
Ministry of Health and Long-Term Care. (2012, February). Fact Sheet - Travelling Outside Canada. Ontario , Canada.
Morton, M., & Duran, E. (2018, February 2). *Vancouver homeowner says Empty Homes Tax is hurting those with second homes*. Retrieved from Global News: https://globalnews.ca/news/4001976/vancouver-home-owner-says-empty-home-tax-is-hurting-those-with-second-homes/
Municipal Property Assessment Corporation. (2020). 2020 Assessment Values.
Owen, E. (2019, July 5). *Vacancies continue to rise in Sydney and Melbourne*. Retrieved from Domain: https://www.domain.com.au/research/domain-rental-vacancy-rate-june-2019-vacancies-continue-to-rise-in-sydney-and-melbourne-856261/
Owen, E. (2019, February 11). *What the rental vacancy rate says about our changing housing markets*. Retrieved from Domain: https://www.domain.com.au/advice/domain-rental-vacancy-rate-january-2019-799465/
Parliament of Victoria. (2019). *Taxation Administration Act 1997.* Melbourne: Parliament of Victoria.
Pegg, D. (2016, February 21). *Tens of thousands of London homes deemed 'long-term vacant'*. Retrieved from The Guardian: https://www.theguardian.com/society/2016/feb/21/tens-thousands-london-homes-deemed-long-term-vacant
Pelley, L. (2019, November 21). *Torontonians with the smallest garbage bins could face the biggest fee hike in 2020*. Retrieved from CBC News: https://www.cbc.ca/news/canada/toronto/garbage-bin-city-fees-2020-1.5366151
Porier, J. (2017, January 25). *A Paris, la surtaxe sur les résidences secondaires va passer de 20 % à 60 %*. Retrieved from Le Monde: https://www.lemonde.fr/argent/article/2017/01/25/a-paris-la-surtaxe-sur-les-residences-secondaires-va-passer-de-20-a-60_5068843_1657007.html
Precondo. (2018, August 15). *Average Toronto Housing Prices from 1967 to 2019 - What's Going to Happen Next?* Retrieved from Precondo Corporateion Web Site: https://precondo.ca/toronto-real-estate-prices
Prosper Australia. (2019). *Speculative Vacancies 9.* Melbourne: Prosper Australia.
Province of British Columbia. (n.d.). *Are you Eligible?* Retrieved from British Columbia: https://www2.gov.bc.ca/gov/content/health/health-drug-coverage/msp/bc-residents/eligibility-and-enrolment/are-you-eligible
PWC. (2019). *Land Tax in Victoria.* Victoria: PWC.
Real Estate Bay Realty Inc. Brokerage. (2019). *Real Estate Price History*. Retrieved from Listing.ca: https://toronto.listing.ca/real-estate-price-history.htm
Royal Bank of Canada. (2016). *RBC Economics Research - Canadian Housing.* Vancouver: Royal Bank of Canada.
Ryerson City Building Institute. (2017). *Getting to 8000 - Building a healthier rental market for the Toronto Area.* Toronto: Ryerson University, Evergreen.
Springer. (2019, February 12). *Empty homes tax may be more effective than new builds at making housing more affordable*. Retrieved from EurekAlert!: https://www.eurekalert.org/pub_releases/2019-02/s-eht020719.php
Statistics Canada. (2016). Census Profile, 2016 Census. *Census Program*. Canada: Government of Canada. Retrieved from https://www12.statcan.gc.ca/census-recensement/2016/dp-pd/prof/details/page.cfm?Lang=E&Geo1=CSD&Code1=3520005&Geo2=PR&Code2=35&SearchText=Toronto&SearchType=Begins&SearchPR=01&B1=All&GeoLevel=PR&GeoCode=3520005&TABID=1&type=0

Statistics Canada. (2017). *Non-resident Ownership of Residential Properties in Toronto and Vancouver: Initial Information from the Canadian Housing Statistics Program.* Statistics Canada Analytical Studies Branch.

Statistics Canada. (2020, February 28). *Statistics Canada*. Retrieved from Components of population change by census division, 2016 boundaries Table: 17-10-0140-01: https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1710014001

Thépot, M. (2016, December 8). *A Paris, le dispositif « Multiloc » ne fonctionne pas*. Retrieved from La Tribune: https://www.latribune.fr/vos-finances/immobilier/a-paris-le-dispositif-multiloc-ne-fonctionne-pas-623396.html

This Paris Life. (2019). *Paris seeks to reduce empty dwellings by increasing taxes*. Retrieved from Paris Property Group: https://parispropertygroup.com/blog/2017/paris-seeks-to-reduce-empty-dwellings-by-increasing-taxes/

Toronto Real Estate Board. (2018, January). *Market Year in Review & Outlook Report*. Retrieved from Toronto Real Estate Board: http://communications3.torontomls.net/auth2/mediafiles/Market-Year-in-Review/pdf/YearInReview_1COLUMN-sml.pdf

Toronto Real Estate Board. (2019, December). *Toronto Real Estate Board.* Retrieved from MLS® Home Price Index December 2019: http://www.trebhome.com/files/market-stats/home-price-index/TREB_MLS_HPI_Public_Tables_1219.pdf

United States Census Bureau. (2018, October 17). *2017 New York City Housing and Vacancy Survey Microdata*. Retrieved from United States Census Bureau: https://www.census.gov/data/datasets/2017/demo/nychvs/microdata.html

Victoria State Revenue Office. (2017, December 18). *Vacant Residential Land Tax*. Retrieved from State Revenue Office Website: https://www.sro.vic.gov.au/vacant-residential-land-tax

Wang, V. (2019, March 29). *N.Y. Had a Plan for a 'Pied-a-Terre' Tax on Expensive Homes. The Real Estate Industry Stopped It.* Retrieved from The New York Times: https://www.nytimes.com/2019/03/29/nyregion/pied-a-terre-tax.html

Yardney, M. (2018, December 21). *State by state: An end-of-year update on Australia's property markets*. Retrieved from Smart Company Web Site: https://www.smartcompany.com.au/industries/property/end-year-update-australia-property-markets/