

Vacant Home Tax: Status Update

Date: September 19, 2023

To: Executive Committee

From: Interim Chief Financial Officer and Treasurer

Wards: All

SUMMARY

City Council, at its meeting of December 15 – 17, 2021, considered item [EX28.2 – Final Tax Design and Steps to Implement a Vacant Home Tax in Toronto](#) and approved the implementation of a Vacant Home Tax (VHT), with direction to report back in the fourth quarter of 2023 with findings from the first year of tax collections as part of an annual reporting requirement. This report includes an update on the implementation of the VHT, learnings from other jurisdictions that have implemented a similar tax, and recommendations for required changes to the VHT program.

This report also details the communication plan to promote awareness of the VHT from its approval in July 2021 to its implementation throughout 2022 and building towards 2023. In addition, it addresses the online declaration portal that is accessible using the property assessment roll number and unique customer number on the owner's tax bill or mailed VHT notice. The declaration portal for the 2023 Taxation Year is expected to open at the end of October/early November.

As this was the first year of the Vacant Home Tax declaration period, there was compelling interest to provide property owners with a grace period to provide their declarations and help moderate the financial impact on property owners who are required to pay the tax. This resulted in City Council extending the filing deadline by four weeks and amending the payment schedule from a single instalment to three instalments.

The declaration period was extended to February 28, 2023 and when the portal was closed, 2,336 property owners declared their residential units vacant, and 44,902 properties failed to provide a declaration and were deemed vacant at the time of billing. This represented approximately \$283.7M of possible revenue. As of August 1, 2023, the number of properties deemed vacant has been reduced to 17,437, as declarations were received through the Notice of Complaint process. To date, the City has collected \$54M in VHT, which is consistent with the estimated and budgeted revenues for 2023.

By the end of February 2022, the City received approximately 95% compliance on 818,937 notices mailed, including 774,662 declarations and 2,336 declared vacant. City Council also amended the by-law to extend the deadline for the 2022 taxation year to February 28, 2023. Lessons learned from the first declaration period include various administrative improvements, which will be implemented for the 2023 declaration period. Staff are also recommending a new fee for failing to provide a declaration of occupancy status by declaration due effective January 1, 2024.

As of August 1, 2023, 2,161 accounts are declared vacant with 17,437 deemed vacant. Both numbers are lower when compared to February 2022 and are expected to decrease as the number of declarations increases. Property owners are also able to file a Notice of Complaint until April 15, 2024, along with a three-year period for audit activities. As such, actual revenues generated by VHT will not be finalized until all Notices of Complaints and audits for the taxation year are complete. As of August 1, 2023, the City has processed 24,641 of a total of 28,033 Notices of Complaints received, with audit activities for the 2022 taxation year to begin once onboarding of new staff is completed.

The report also reviewed Vancouver's Empty Homes Tax, which was implemented in 2017. Toronto's VHT program was designed using similar elements and used lessons learned from Vancouver's experience, including the adoption of a self-declaration model, many of the same exemptions, and the administrative processes for filing a declaration, complaints, appeals and audit. The City of Ottawa also implemented a Vacant Unit Tax in 2022 and designed a program similar to Vancouver's model. As this is their first taxation year, data on Ottawa's Vacant Unit Tax is not publicly available at this time. One notable difference is in declaration requirements; property owners in Ottawa are required to submit a declaration for each unit within properties in the residential tax class with two to six units.

The issue of multi-unit residential buildings was also deliberated at Executive Committee's consideration of [EX7.1: Updated Long-Term Financial Plan](#) on August 24, 2023, which was not included in Toronto's plan at implementation due to the complexities to bill and assess the appropriate value of each individual unit within a multi-unit residential property. Based on analysis, a change to include residential properties with two to six units in the VHT program would require the City to process and assess an additional 41,130 declarations without the benefit of an assessed unit value within the overall property. Staff are not recommending any changes in the VHT program to include residential properties with two to six units at this time.

Following Council's request for analysis as part of the Updated Long-Term Financial Plan, this report also recommends increasing the tax rate from 1% to 3% of the Current Value Assessment (CVA) effective for the 2024 Taxation Year, in support of increasing housing supply.

RECOMMENDATIONS

The Interim Chief Financial Officer and Treasurer recommends that:

1. City Council approve the following changes to the Vacant Home Tax, effective for the vacancies occurring in the 2023 Taxation Year unless specified otherwise, and amend City of Toronto Municipal Code Chapter 778, Taxation, Vacant Home Tax, accordingly:

(A) change the payment due dates to the 15th of May, June and July, from the 1st of each of those months.

(B) change the definition of current value assessment (CVA) to reference the current value assessment of the Residential Unit, as shown on the most recently returned assessment roll for the Taxation Year, rather than as of the Payment Date.

(C) by clarifying that six months means 183 days for the purposes of determining vacancy, so as to avoid confusion regarding longer and shorter months.

(D) by expanding the definition of Tenant to include a business tenant, to account for situations where a property is assessed in the Residential Tax class, but is occupied by a tenant and operating as a business.

(E) by adding a new exemption for newly built or constructed housing inventory that is vacant, which exemption applies for up to two (2) consecutive taxation years.

(F) reduce the notice of complaint period to the last business day in the year of the Payment Date from the 10th business day of April of the following year.

(G) by extending the declaration deadline to the last business day of February of the year following the Taxation Year in respect of which the Declaration is made.

(H) change the requirement for the exemption for repairs and renovations from obtaining an opinion from the Chief Building Official to a requirement that repairs or renovations are being actively carried out without unnecessary delay.

(I) increase the tax rate for vacant properties from one (1) percent to three (3) percent effective for vacancies occurring in the 2024 Taxation Year.

2. City Council amend City of Toronto Municipal Code Chapter 441, Fees And Charges, Appendix C, Schedule 5, Revenue Services, effective January 1, 2024 to include a new fee for failing to provide a declaration of occupancy status by the declaration due date. The fee is to be set at \$21.24 per taxation year, effective for the 2023 Taxation Year, and approved for annual automatic inflationary adjustment.

FINANCIAL IMPACT

Increase in Vacant Home Tax Rate from 1% to 3%

As illustrated in Table 1 below, if the tax rate for Vacant Home Tax is increased to 3 per cent effective for the 2024 VHT taxation year, assuming the total CVA of vacant units remain relatively the same as 2023 and an expected decline in overall vacant units, this would generate approximately \$50 million over and above the original projected revenues at 1% tax rate for this program of \$55-60 million, resulting in the projected VHT revenues to be collected for the 2024 taxation year of approximately \$105-110 million in the City’s 2025 Operating Budget.

The assumption is that this additional \$50 million in revenue will decrease by approximately 20 per cent annually in subsequent years as a result of the Program’s target outcomes in improving housing supply and reducing the number of deemed vacant units. It is also expected that the incremental revenues as a result of a higher VHT rate starting with the 2024 taxation year will lessen over time as the objective of reducing the number of vacant residential units is achieved. The downward trend in incremental revenue may be partially offset by the increasing CVA of vacant units as the CVA generally increases year over year due to potential or future reassessment by the Province and the Municipal Property Assessment Corporation (MPAC). The City is required by statute to use CVA provided by MPAC to determine the property taxes, including the VHT, payable for a given property and rely on MPAC to ensure the accuracy of assessments. The financial impacts due to lower quantity and higher CVA of vacant units in future years are indeterminable at this time.

Table 1: Projected Revenues of Increasing the VHT Rate from 1% to 3%

Operating Budget Year	2024	2025	2026	Subsequent Years
Vacant Home Tax Rate (Prior Year Taxation Rate)	1%	3%	3%	3%
Projected Revenue	\$55-60M	\$105-110M	\$95-100M	\$87-92M

Actual revenues generated by VHT will not be finalized until all Notice of Complaints and audit for the taxation year can be completed. For the 2022 taxation year, the City has collected \$54 million in VHT to date representing a vacancy rate of approximately 1%, however, property owners can file their Notice of Complaint until April 15, 2024, which can be extended until the end of 2025. Additionally, audit activities may continue for three years, therefore, any revenues reported are considered estimates and will be updated through this annual report.

New Fee for Failing to Provide a Declaration

If implemented January 1, 2024 for the 2023 VHT taxation year, the proposed new user fee for failing to declare occupancy status by the due date may result in increased revenues of approximately \$0.8 million for the 2023 taxation year, which will be included in Revenue Services’ 2024 Operating Budget offsetting costs associated with

administering the program. The declaration portal for the 2023 Taxation Year is expected to open at the end of October/early November. This is based on the assumption that approximately 40,000 property owners (5% of total property owners with a residential property tax classification) will have failed to submit their declaration by the due date (i.e., 95% compliance assumption) and will be subject to the fee set at \$21.24 for the 2023 taxation year, effective January 1, 2024.

The new fee, intended to achieve cost-recovery to offset various administrative costs related to billing and collection including staff time in customer service, correspondence, collections etc., is eligible for an annual automatic inflationary adjustment and thus any proposed inflationary increase is effective on January 1 each year without requiring further Council approval. The financial impact of annual inflationary adjustment for the new fee in future years is indeterminable at this time but expected to be immaterial. It is also forecasted that this incremental revenue of \$0.8 million for the 2023 taxation year will decrease as a result of the Program’s improved compliance (i.e., fewer vacant units) in subsequent years. Table 2 below provides a summary of the projected revenue should the new user fee be implemented. It is assumed that the non-compliance rate to provide a declaration will reduce by approximately 1% per year.

Table 2: Projected Revenues of New Non-Compliance User Fee

Operating Budget Year	2024 (5% non-compliance rate)	2025 (4% non-compliance rate)	2026 (3% non-compliance rate)	Subsequent Years (2% non-compliance rate)
Approximate Number of Properties	40,000	32,000	24,000	16,000
Projected Revenue	\$0.85M	\$0.68M	\$0.50M	\$0.34M

DECISION HISTORY

On July 14, 2021, City Council adopted [EX25.3 – Recommended Tax Design and Steps to Implement a Vacant Home Tax in Toronto](#), approving the proposed tax design features of the Vacant Home Tax. At this meeting, City Council adopted the following recommendation in regard to an update on the implementation of the Vacant Home Tax:

5. City Council direct the Chief Financial Officer and Treasurer and the Executive Director, Housing Secretariat to report back to City Council, through the Executive Committee, by the end of 2023 with an update on the implementation of the Vacant Home Tax in Toronto, learnings from other jurisdictions that have implemented a similar tax and recommendations for any required changes to the

Toronto Vacant Home Tax program, including any potential increase to the tax rate.

On December 15, 2021, City Council adopted [EX28.2 - Final Tax Design and Steps to Implement a Vacant Home Tax in Toronto](#), approving the design and implementation plan of the Vacant Home Tax beginning in 2022. At this meeting, City Council also adopted the following recommendation in regard to annual reporting:

6. City Council direct the Chief Financial Officer and Treasurer and the Executive Director, Housing Secretariat to:
 - a. promote public awareness of the Vacant Home Tax during 2022; and
 - b. report back during the fourth quarter of 2023 with the findings from the first year of tax collections as part of an annual reporting requirement.

On February 7, 2023, City Council adopted [MM3.17 – Extending the Vacant Home Tax Declaration Due Date and Adding Additional Instalment Due Dates for Making VHT Payments](#), approving amendments to the Vacant Home Tax By-Law 97-2022 which provided an extension to the declaration period for the 2022 taxation year and amended the due dates for payment from one instalment to three instalments.

On September 6, 2023, City Council adopted [EX7.1 - Updated Long-Term Financial Plan](#), to direct the Chief Financial Officer and Treasurer, to include, in the report on the Status of the Vacant Home Tax Implementation planned for the fourth quarter of 2023, an analysis of the feasibility of increasing the existing Vacant Home Tax rate from one percent tax of the current value assessment of the residential property on which the vacant unit is located to three percent.

COMMENTS

Communication Plan to Promote Awareness of Vacant Home Tax

In July 2021, a communications plan was developed and approved for the Vacant Home Tax (VHT) between Revenue Services and Strategic Public and Employee Communications Division. The website was initially launched with high-level information about the initiative. The website was subsequently revised with more details about the VHT added, including a link to declaration portal in December 2022.

Throughout 2022, various communications went out to promote awareness of the adopted tax and the requirement of residential property owners to submit a declaration of property status by February 2, 2023, including:

- **May 2022** - 2022 Final Property Tax bill brochure
- **June to December 2022** - Supplementary/Omitted Tax bills brochure
- **May 2022 to January 2023** - Messaging within the Property Tax Statements of Account

- **September 2022** - Utility bill brochure
- **November 2022** – Social media posts on the City's Twitter and Facebook accounts as well as promoted posts through paid ads on Facebook and Instagram, geo-targeted to Toronto, ran throughout November and December.
- **December 2022 - January 2023** – Full ad campaign on transit shelters, TTC subway posters, print and online ads in ethnic and community newspapers, mainstream media outlets, condo elevator screens, radio spots and additional geo-targeted ads on social media.
- **January 2023** – One page insert ("bucksip") with Interim 2023 Tax bills

In addition to the above awareness campaign, in December 2022, Revenue Services Division sent individualized mailings to 818,937 property owners with a residential property tax classification. The notice directed property owners to the online portal and included the required information for them to make a declaration. Due to the volume, the mailing of these notices was staggered over a two-week period in early December to ensure that all residential property owners were aware of their obligation prior to the holiday season.

The 2023 communications strategy, builds on the tactics developed for the inaugural rollout of the VHT, including increased campaign reach to groups that speak English as a second language.

Declaration of Occupancy Status

The online declaration portal was launched at the end of December 2022 and customers were able to access the portal using only their property assessment roll number and unique customer number found on their tax bill or the mailed VHT notice. As the individualized notices were mailed out earlier in the month, many property owners were unable to submit a declaration initially, however messaging was added to the website advising to return to the website at the end of the month.

The portal was designed to limit the questioning for the majority of property owners who occupy their home. The City simply asked who was making the declaration for the property and if the property is occupied as a principal residence or tenanted. Where the property was occupied, the owner was given a confirmation page that indicated they would not be assessed the Vacant Home Tax and provided the opportunity to save or print their declaration.

For property owners whose property was not occupied, an additional question was asked to indicate if they qualify for an exemption under the By-law. Where this was indicated, the user was asked to upload documentation in support of their exemption claim. Owners that declared an exemption to the Vacant Home Tax were also advised in their confirmation that they would not be subject to the tax. As part of the audit process, City staff will be reviewing all exemption claims to ensure they meet the requirements under the By-law.

For the remaining declarants whose property was not occupied, or vacant with an exemption, their property was declared vacant and would be advised upon completion

of their declaration that they would be subject to the Vacant Home Tax at a rate of 1% of their Current Value Assessment (CVA).

Due to the high number of declarations expected to be received, City staff promoted and recommended use of the online portal to efficiently and accurately administer the Vacant Home Tax program. For property owners who were not internet savvy or did not have access to internet, declarations were able to be made by someone on behalf of the owner such as a family member or friend. Recognizing that some property owners would not be able to provide a declaration online, a paper declaration form was also available upon request. This form was available at all civic centres, libraries, councillor offices and was also mailed out to customers who called 311 to request a form. City staff manually entered approximately 12,500 paper form declarations. City staff faced challenges in manually entering these declarations. Staff found that many forms were incorrectly completed (missing selections, multiple selections), duplication of declarations filed online and by paper, or missing contact information and signatures. Other customers used the form to provide alternative exemption claims that were not eligible under the By-law. Where possible, City staff attempted to contact customers to clarify their declaration however many declarations were unable to be entered and resulted in the property being deemed vacant. To mitigate the number of incomplete paper declarations, the form for the 2023 taxation year is revised to limit the number of sections to be completed and unnecessary wording removed to make the form easier to read. The declaration portal for the 2023 Taxation Year is expected to open at the end of October/early November.

Declarations for Multi-Unit Residential Buildings

In its consideration of [Item EX7.1: Updated Long-Term Financial Plan](#) on August 24, 2023, the Executive Committee questioned why multi-unit residential buildings (e.g., purpose-built rental residential properties with 2 to 6 units), were considered occupied if at least one residential unit was occupied for a period of 183 days or longer (6 months).

Toronto Municipal Code Chapter 778, Taxation, Vacant Home Tax, defines a Residential Unit as residential property, comprised of one or more Self-Contained Units (or dwelling units which include a dedicated washroom and kitchen). For the purposes of administering the Vacant Home Tax, the City assesses the tax on an assessment parcel, and against the individual that owns the parcel (i.e., the property owner). For multi-unit buildings, e.g., duplexes, triplexes, four-, five and six-plexes, these properties are assessed as a single assessment parcel and under a single roll number, usually with a single owner. As the City does not maintain records (and has no access to information) on individual tenants or periods of tenancy, the owner is required to make a declaration for the entire property to declare the occupancy status.

The City would not be in a position to accurately determine which residential units in a multi-unit building may be vacant for a period of six months or longer, and very difficult to determine what portion of the total assessment value of the property would be attributed to the individual unit in order to ascribe the VHT payable for a single unit. The City determined that as long as one unit in a multi-residential building was deemed occupied, then it could be assumed that the property owner, operating the rental building as a profit-earning business, would generally be unlikely to keep units vacant or

unoccupied for 6 months or more during the year. Vancouver adopts a similar approach for multi-unit residential rental properties.

In considering whether the City could, in future, move to a system that required separate declarations for each rental unit within a multi-unit building, the City’s analysis reveals that this would require an additional 41,130 declarations to be processed and assessed (an increase of 5% of total declarations processed now), with additional annual estimated costs for increased staffing, administrative time, printing and postage. The additional requirement to have the Municipal Property Assessment Corporation (MPAC) determine the proportional assessed value of each residential unit in order to levy the tax would be administratively complex, would introduce significant delays in being able to levy the VHT, and may involve additional costs from MPAC.

Again, based on the assumption that owners of multi-unit rental residential buildings operate these buildings on a profit-generating basis, and therefore it is considered a rare occurrence that units are being purposefully held vacant and kept off the rental market and that a program change would be administratively cumbersome, there are no changes proposed at present to the requirement that an owner may declare a property occupied, for the purposes of the VHT, if at least one rental residential unit is occupied for a period of 183 days or longer. Staff will conduct jurisdictional scans of practices in other municipalities that have adopted a vacant home tax to determine the potential financial and operational impacts and feasibility of moving to a different method of establishing vacancy for multi-unit buildings.

Compliance

As the declaration period was launched at the end of December 2022, there was approximately one month for customers to submit their declaration before the February 2nd deadline. As many property owners were not aware of their requirement to declare (for example, snowbirds), City Council adopted amendments to the VHT By-law to extend the deadline for the 2022 taxation year to February 28, 2023. After the initial deadline of February 2nd passed, staff issued reminder notices to 95,416 residential property owners advising of the extended deadline. More than half of this number submitted a declaration before the extended deadline. Staff did not pursue fines for the remaining 44,902 property owners that did not submit a declaration by the extended deadline, rather used this as an opportunity to educate customers on their annual requirement.

By the end of February 2022, the City received approximately 95% compliance. The results of the declarations received is summarized in table 3 below. In comparison, Vancouver received 98% of the total required declarations during their first declaration period for the 2017 reference year.

Table 3: Vacant Home Tax Declarations as of March 1, 2023

Notices Mailed	Declarations Received	Compliance Rate (%)	Declared Vacant	Declared Exemption	Declared Occupied
818,937	774,662	95	2,336	8,029	764,297

Improvements for 2023 Declaration Period

Using lessons learned from the first declaration period, various administrative improvements will be implemented for the 2023 declaration period. City staff are currently finalizing the base list of residential properties that are required to submit a declaration to reduce any unnecessary declarations from being received. The declaration period for both online and paper forms will be open sooner with a target date at the end of October. This will allow residents three months to submit their declaration without penalty. The Vacant Home Tax webpage continues to be updated periodically with the most up to date information about the VHT.

In addition to the revisions made to the paper form previously mentioned, if adopted by Council, revisions to the declaration questionnaire (online and paper) will allow residential properties occupied by business tenants to select the "tenanted" option. Based on feedback received at the most recent Toronto Senior Strategy Accountability Table, City staff will also host various pop-up sessions scheduled during the declaration period to assist property owners with submitting a declaration online and answer any questions they may have so they may provide an accurate declaration. Pop-up sessions will be held at all civic centres, libraries and can be arranged with various community organizations and councillor constituency offices upon request.

While the paper form will still be available for those who require it, the online platform will remain as the recommended option for submitting a declaration in an effort to reduce the overall number of paper forms received. Based on the 2022 experience, it was an administrative challenge to enter over 12,000 forms before billing, especially where forms were completed incorrectly or missing information. By reducing the number of unnecessary VHT bills issued, the number of unnecessary complaints reviewed by City staff will also be reduced, allowing staff to focus on audits and other types of complaints received.

Billing

Throughout the month of March 2023, City staff reviewed the declarations received to adjust for any duplicate submissions or declarations from property owners that were not required to submit (e.g., vacant land), which reduced the number of declared vacant residential units. Staff also continued to manually enter paper form declarations received before the February 28, 2023 deadline in preparation of the VHT billing. Upon completion of this review, on March 16, 2023, staff issued 47,066 Vacant Home Tax bills as summarized in Table 4. This represents approximately 5.75% of the total residential properties that were issued a declaration notice. The initial payment due date of May 1st was revised to allow three instalments due on May 1, June 1 and July 1 annually. This amendment was adopted by Council at the February 7, 2023 City Council meeting.

Table 4: Vacant Home Tax Bills Issued - March 16, 2023

Vacant Type	No. of Accounts	VHT Billed
Declared Vacant	2,164	\$16,458,338
Deemed Vacant	44,902	\$267,193,344
Total	47,066	\$283,651,682

Actual revenues generated by the Vacant Home Tax will not be finalized until all Notice of Complaints and audits for the taxation year can be completed. For the 2022 taxation year, property owners can file their Notice of Complaint until April 15, 2024, however this date can be extended until the end of 2025. Audit activities may continue for three years, therefore any revenues reported are considered estimates and will be updated through this annual report until actual revenues can be accurately reported.

As illustrated in table 4 above, a significant amount of billed revenue came from properties that did not submit a Declaration of Occupancy status. It was expected that this figure would decrease as customers filed their declarations through the Notice of Complaint portal. Table 5 below provides the updated estimated revenues as of August 1, 2023. As anticipated, the number of properties deemed vacant is decreasing as customers file their Declaration of Property Status via the Notice of Complaint portal.

Table 5: Vacant Home Tax Billed as of August 1, 2023

Vacant Type	No. of Accounts	VHT Billed
Declared Vacant	2,161	\$16,444,798
Deemed Vacant	17,437	\$94,235,366
Total	19,598	\$110,680,164

While the number of deemed vacant properties will continue to decrease as more declarations are received throughout the complaint period, audit activities have not yet started. All exemption claims made during the declaration period and through the Notice of Complaint need to be validated and billed accordingly where an exemption is not supported. Also, staff will examine select properties declared as occupied to ensure that false declarations are not being received. It is expected that additional revenues will be generated through audit activities and progress will be included in future reports. To date, approximately \$54 million has been collected for this tax for the 2022 taxation year, which is consistent with the 2023 Budgeted VHT revenue of \$55 million and may ultimately perform slightly better than the 2023 budget as the Notice of Complaints and audits are processed.

Notice of Complaints

Residential property owners who received a Vacant Home Tax bill may dispute the assessment of the tax by filing a Notice of Complaint to the City. Generally, the deadline to file a Notice of Complaint is on the 10th business day of April in the year following the date payment of the VHT was due. For the 2022 taxation year, this deadline is April 15, 2024. For the 2022 and 2023 taxation years, an extension to file a complaint may be granted to December 31, 2025.

The online Notice of Complaint portal was launched on March 28, 2023 and provides customers who received a Vacant Home Tax bill a mechanism to file their complaint with the City. Property owners may also file a formal complaint in writing to the City in-person or via mail to Revenue Services Division.

As the majority of complaints received are a result of the 44,905 properties deemed vacant because they did not provide a declaration of occupancy status, the Notice of Complaint portal provides these customers an opportunity to file their declaration. As illustrated in Table 6 below, the majority of complaints received to date were from customers whose residential properties were deemed vacant because they failed to provide a declaration of occupancy status.

Table 6: Notice of Complaints Received as of August 1, 2023

Grounds of Complaint	Number of Complaints Received
Failed to provide a declaration	26,629
Disagree with VHT Bill	1,404
Total	28,033

Table 7 below provides a summary of the complaints that have been processed. It is important to note that staff have primarily focused on processing complaints where the customer has declared their property occupied. These customers were notified in writing that the Vacant Home Tax bill was adjusted but their declaration can be subject to audit for a period of three years. Complaints where the customer is claiming an exemption or where they disagree with the VHT bill requires a detailed review of the supporting documents submitted and will begin processing as new staff are hired and trained.

Table 7: Notice of Complaints Processed as of August 1, 2023

Complaint Decision	Number of Complaints Processed
Not Vacant	24,636
Exempt	4
Not Exempt	1

Complaint Decision	Number of Complaints Processed
To Be Reviewed	3,371
Total	28,033

The exemption claims submitted through the Notice of Complaint to date represent approximately \$2.9 million in VHT that could be potentially adjusted if the exemptions qualify.

Appeal and Audit

Customers may appeal a complaint decision within 90 days of the date of their complaint decision. They will also be able to use the same online portal to file an appeal or submit their request in writing. As the complaint processing has focused on the declarations that have resulted in favorable outcomes for the owner, no appeals have been received to date.

The City may audit any declaration in respect of the occupation or applicable exemption related to the residential unit for a period of three years. Audit activities for the 2022 taxation year will begin once the onboarding of new staff is completed.

The total exempt value of VHT from the initial declaration period was approximately \$68.9 million. As staff begin to review these declarations, supplementary bills will be issued where the exemption was not sufficiently substantiated by the property owner.

Vancouver's Empty Homes Tax

Toronto's Vacant Home Tax was designed with similar elements used in Vancouver's Empty Homes Tax (EHT) implemented in 2017. A universal self-declaration model was adopted and using lessons learned from the Vancouver experience, Toronto included many of the same exemptions, and administrative processes for filing a declaration, complaints, appeals and audit. The City of Vancouver initially adopted a tax rate of 1%, increased to 1.25% in 2020 and currently 3% since 2021.

Since being implemented in 2017, the City of Vancouver reported that the number of vacant properties has decreased by approximately 800 units overall. In 2017 the vacancy rate was reported at 1.2% and as of 2022, the rate is approximately 0.6% of the 196,000 residential units required to declare. They have experienced an increase of 10,500 tenanted properties and as reported by the Canadian Mortgage and Housing Corporation (CMHC) in 2019, the number of condos in the rental pool have increased by 6,000 units. While the Empty Homes Tax appears to be achieving the objective of reducing the number of vacant residential properties, the City also attributes the improved vacancy rate with other measures that have been implemented including Short Term Rental rules, rental supply policies, provincial Speculation and Vacancy Tax, and other new federal measures.

Since the launch of the EHT, the City of Vancouver has allocated over \$115.3 million of net revenues from the tax to support affordable housing initiatives in Vancouver. The revenues from the tax saw an increase from \$26 million in 2021 to \$67 million in 2022 due to the increase of the tax rate from 1.25% for the 2020 reference period to 3% for the 2021 reference period. The increased assessment value of vacant properties increased by 23% also attributing to the increased revenues.

The tax rate was intended to increase to 5% for the 2023 reference period, however through the report titled [“Report Back on Increasing the Empty Homes Tax to Five Percent and Improving Compliance”](#), Vancouver City Council opted to leave the rate at 3%. While the rate of 3% has seen a trend in the number of declared vacant properties decreasing from 2021 to 2022, staff find the results inconclusive on the actual impact of increasing the rate at this time. They attribute the high vacancy rate in the 2020 reference period in part due to market conditions that were out of the property owner's control in the short term such as the COVID-19 pandemic, and that a further rate increase may lead to increase in circumvention of the tax due to false declarations. As a result, additional resources would be required to increase the audit response if the rate continues to be increased.

By leaving the rate at 3%, the City can observe if the decreasing trend of declared vacant properties continues without the impact of the pandemic. As an alternative to a broad increase, the City of Vancouver will be doing further analysis on considering a graduated tax rate where a higher rate is imposed on properties that are vacant for multiple consecutive years. A higher rate on long term vacant properties may further achieve the tax's objective to increase the housing stock and address some of the administrative and compliance challenges. A lower tax rate for properties that are vacant in the short term due to market conditions preventing an owner to sell a property may mitigate some of the unintended consequences.

For the 2023 reference period, the City of Vancouver amended existing and adopted new exemptions to the Empty Homes Tax to reduce the unintended consequences created by the EHT and further the tax's objectives. This includes:

- **Amendment to the Renovations/Redevelopment Exemption** – To mitigate the unintended consequence of being subject to the tax due to permit issuance or application submission delays outside the applicant's control, the permit must be issued within the vacancy reference year, where previously it had to be issued by July 1 of the reference year.
- **Removing Strata Rental Restrictions** – This exemption will end in the 2024 reference year as newly adopted provincial legislation prohibits strata rental restrictions. One-time exemptions will be allowed in 2023 where the residential unit was previously exempt for 2022.
- **Vacant New Inventory** – Newly constructed residential units that are part of a development of five or more units owned by a developer are exempt from the tax until the units are sold to an end user if they are being actively offered to the public for sale during the reference period.
- **Hazardous or Damaged Residential Properties** – Properties that are uninhabitable due to a hazardous condition or disaster are exempt from the tax, applicable for up to two consecutive vacancy reference periods.

- **Secondary Residence for Medical Reasons** – Allows owners that maintain a secondary residential property periodically used by the owner, their spouse or dependant for medical treatment, an exemption to the tax. Medical certification from a medical practitioner is required to receive this exemption.

A summary of Vancouver’s rationale to leave the VHT rate at 3% and other recommended amendments can be found in their presentation titled [“Staff Presentation on Empty Homes Tax Report Back”](#). The City of Vancouver also prepares an annual progress report on the Empty Homes Tax. The most recent report released is the [“2021 Empty Homes Tax Annual Report”](#).

Ottawa’s Vacant Unit Tax

The City of Ottawa implemented their Vacant Unit Tax By-law the same year as the City of Toronto in 2022. They also designed their program similar to the Vancouver model. One notable difference between the declaration requirements in Toronto and Ottawa is the requirement to submit a declaration for each unit within properties in the residential tax class with two to six units. Toronto did not put this requirement in the VHT By-law due to the complexities to bill and assess the appropriate value to each individual unit as assessment values from MPAC are based on the entire property, not individual units.

As this is also their first taxation year, data on Ottawa’s Vacant Unit Tax is not publicly available at this time.

By-Law Amendments

This report includes recommendations for minor amendments to the Vacant Home Tax By-law to improve administration and billing of the VHT. The first recommendation amends the definition of the Payment Date, effectively changing the current payment due dates from the current first day of May, June and July to the fifteenth day of each of those respective months. The intention is to offset the due dates, so that property tax payments and vacant home tax payments are not due on the same day.

The next recommendation amends the definition of CVA. VHT is billed at a rate of 1% of the Current Value Assessment (CVA) of the property and the By-law defines CVA as being the value in the year that payment is due. In other words, the CVA used for the 2022 taxation year, was the CVA in 2023. As the Province did not conduct property reassessments in 2020 due to the pandemic, the CVA for 2022 and 2023 were the same. While this was not an issue for the 2022 VHT billing, in future years this may cause complications and unnecessary disputes as the CVA generally increases year over year due to phase in. Therefore, staff are recommending that the CVA be defined as the value in the taxation year rather than the value in the year payment is due.

Currently a residential unit must be vacant as defined in the By-law for more than six months throughout the taxation year. Using six months as the minimum threshold created ambiguity among customers and staff for what qualifies as meeting this requirement (ex. Calendar months versus 30-day periods). By including a definition of Six Months, which states that for the purposes of the vacant home tax, six months is

equal to 183 days throughout the taxation year provides further clarity to customers in determining their occupancy status when making their annual declaration.

Staff are also asking Council to expand the definition of Tenant to include business tenants. During the declaration period, staff received declarations where a property assessed in the residential tax class was converted to an office space (for example, law office or realty office).

During the first year of implementation, staff have heard from members of the development community with respect to vacant new inventory. Vancouver introduced a new exemption, consistent with the requests we have heard from developers during the first year of implementation. Staff are recommending adopting a similar exemption, which would provide developers with an exemption for newly constructed, never occupied and unsold residential housing units, and that may be used for up to 2 consecutive taxation years, and that will assist them with unsold new inventory.

Other recommendations noted are to increase the rate from the current one percent of the CVA to three percent of the CVA, as well as to introduce a fee for failing to declare by the due date. Increasing the rate to 3% is expected to further discourage property owners from keeping their residential unit unoccupied and contribute to the goal of increasing housing supply while supporting financial sustainability. If adopted, the rate increase would be effective for the 2024 Taxation Year with revenues collected in 2025. The new fee for late declarations would be collected starting in 2024 and is intended to be cost-recovery, to offset the costs of billing, staff time in customer service, correspondence, collections, and various other administrative costs relating to the billing and collection of this tax. A recommendation to condense the Notice of Complaint period to within the taxation year, rather than the current time frame that extends into and overlaps with the subsequent year's declaration and billing period is recommended. Conversely, staff are recommending that the declaration deadline be extended from the 2nd day of February to the last business day in February annually, allowing customers additional time to submit a declaration.

Finally, to better process repair and renovation exemption claims, staff are requesting to remove the requirement of having to obtain an opinion from the Chief Building Officer in determining if a property meets the requirements of the repairs and renovations exemption. Toronto Building does not have the capacity to send building inspectors to check on the status of a permit for the purposes of determining if the applicant is actively carrying out the repairs or renovation without unnecessary delay. Generally, inspections are on the onus of the applicant to contact Toronto Building to arrange the necessary inspections. Permit status information on specific properties is publicly available online through the City's 'Building Permit Status' search page. VHT staff can use this as a resource to view the nature of the work of any permits issued and contact the assigned building inspector where necessary to provide any further details surrounding any recent inspections done at the property.

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SIGNATURE

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