

Immediate Actions to Address the 2023 Taxation Year of the Vacant Home Tax

Date: April 12, 2024

To: City Council

From: Chief Financial Officer and Treasurer

Wards: All

SUMMARY

The purpose of this report is to seek Council authority to undertake immediate actions to further address significant challenges experienced as part of the Vacant Home Tax (VHT) process for the 2023 taxation year.

VHT declarations for the 2023 taxation year were received for over 648,000 residential properties by the extended declaration deadline of March 15, 2024, reflecting 80% of the nearly 816,000 residential properties in the City.

The VHT declaration rate for the 2023 taxation year is considerably lower than the declaration rate for 2022, which was 95%. The process for the 2023 taxation year has experienced challenges in messaging the requirement to declare property status on an annual basis to property owners, coupled with implementation challenges associated with the program design, specifically the timing, billing and declaration requirements and the reliance on a Notice of Complaint process to address properties deemed vacant following the declaration period.

Following the March 15, 2024, deadline for the declaration period, over 167,000 properties were deemed vacant, in accordance with Chapter 778 of the City's Municipal Code (the "VHT By-law"). The owners of these properties have since been reliant on the Notice of Complaint process to submit a request for the City to reconsider their vacancy status. The Notice of Complaint process opened on April 2, 2024, and will remain open until December 31, 2024.

To provide immediate support to the high volume of properties impacted, actions were put in place beginning on April 2, 2024, including additional in-person supports across City Hall and Civic Centres, doubling the number of Revenue Services staff available at counters. Actions taken have **resulted in the reversal of approximately 108,000 VHT charges** on property tax bills as of midday on Friday, April 12, increasing the current VHT declaration rate to nearly 758,000 properties or 93% of all residential properties in the City.

Of the almost 58,000 properties that are currently deemed vacant, staff have cross referenced these properties against last year's final declared vacancy status and estimate approximately 48,000 of these properties were occupied in 2023, based on their 2022 status, and would not be subject to the VHT charge.

Staff are seeking Council authority to confirm these 48,000 properties as occupied for the 2023 taxation year consistent with prior year's status. If approved by Council, these properties will no longer be required to submit a declaration or a Notice of Complaint for the 2023 taxation year, and a notice will be mailed to these property owners confirming their occupancy status and reversing all VHT charges. Should their status have changed for this year, they will be provided with an option to declare a vacancy, should it be applicable.

In recognition of the particularly challenging process this year, the Mayor has also submitted a report to Council recommending waiving the late fee associated with not providing a declaration of occupancy status by the March 15, 2024, due date, for all applicable properties for the 2023 taxation year.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

1. Notwithstanding City of Toronto Municipal Code, Chapter 778, Taxation, Vacant Home Tax, City Council authorize the Chief Financial Officer and Treasurer to deem all residential units for which the property owners did not file a Declaration or a Notice of Complaint in respect of the 2023 Taxation Year by April 17, 2024, to have the same occupancy status for the 2023 Taxation Year as they had for the 2022 Taxation Year, and direct the Chief Financial Officer and Treasurer to send out new Notices of Assessment to reflect the deemed occupancy status, including an option to declare a vacancy or change in exemption.
2. City Council direct the Chief Financial Officer and Treasurer, in consultation with the Chief Technology Officer, the Chief Communications Officer and City Solicitor report back on a completely revised Vacant Home Tax program design for the 2024 Taxation Year prior to the 2025 Budget Process.

FINANCIAL IMPACT

The Vacant Home Tax was introduced as a policy tool to promote housing supply. The current estimated annual revenue for VHT is \$55 million, which is used for budgeted capital investments in housing within the Housing Secretariat and Toronto Community Housing Corporation, with a further specific allocation towards the Multi-Unit Residential Acquisition (MURA) program. In the fall 2023, Council approved an increase to the VHT rate from 1% to 3% of a property's assessed value effective for the 2024 taxation year. It is expected this increase will generate an incremental \$50 million in revenue for 2025.

A portion of revenues associated with VHT will also be used to support enhanced communications and engagement strategies for future years.

DECISION HISTORY

At its meeting on March 20 and 21, 2024, City Council extended the declaration due date for the Vacant Home Tax for the 2023 taxation year to March 15, 2024.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.EX12.9>

At its meeting on October 11, 2023, City Council considered a Status Update on the Vacant Home Tax, and approved various program changes, including the increase of the VHT from 1% to 3% of the property's assessed value, effective for the 2024 taxation year.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EX8.7>

At its meeting on February 7, 2023, City Council extended the declaration due date to February 28, 2023 for the 2022 taxation year, and amended the payment installment dates as outlined in the by-law.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.MM3.17>

At its meeting on December 15, 2021, City Council approved the implementation of the Vacant Home tax for the 2022 taxation year.

<https://secure.toronto.ca/council/agenda-item.do?item=2021.EX28.2>

COMMENTS

This year's VHT process continues to experience several challenges, including a lower rate of declarations as compared to last year, which experienced a 95% VHT declaration rate.

As of April 12, 2024, the City has received VHT declaration status for nearly 758,000 properties or 93% of all residential properties in the City for the 2023 taxation year. This declaration rate was achieved through the following:

- 476,000 property owners filed by the original deadline of February 29, 2024 (58%)
- In total, over 648,000 property owners filed by the extended deadline of March 15, 2024 (80%)
 - Includes 1,475 properties that declared themselves as vacant (compared to 2,164 properties last year)
- 108,000 further property owners have since submitted a Notice of Complaint following the distribution of initial VHT bills at the end of March.
 - 62,500 VHT charges were reversed by April 5 with notices expected to be delivered to residents from April 13 to 16;
 - 45,500 further VHT charges were reversed by April 12 with notices expected to be delivered to residents from April 20 to 23; and

- 781 Notice of Complaints were submitted for an exemption due to renovations, deaths, transfer of property, etc. that will require further time for review prior to confirmation.

As of April 12, 2024, nearly 58,000 properties remain to be deemed vacant in accordance with the VHT By-law. This is considerably greater than the 2022 taxation year with approximately 11,000 vacant properties that were subject to the VHT charge. City staff have cross referenced these remaining 58,000 properties against last year's final declared vacancy status and estimate that approximately 48,000 of these properties remained occupied in 2023 and therefore would not be subject to the VHT charge.

The current VHT program design requires an annual declaration or completion of a Notice of Complaint process to confirm the occupancy status of all residential properties. Given the particular challenges experienced this year, staff are seeking Council authority to deem the properties that were occupied for the 2022 taxation year, to similarly be occupied for the 2023 taxation year, resulting in the reversal of billed VHT charges **for approximately 48,000 properties.**

Additional Actions Taken for the 2023 Taxation Year of the Vacant Home Tax

Late Declaration Fees

As previously noted, the Mayor has submitted a report to Council recommending that the Chief Financial Officer and Treasurer be provided with the direction and authority to waive the late fee associated with not providing a declaration of occupancy status by the March 15, 2024, due date, for all applicable properties for the 2023 taxation year.

If the Mayor's recommendations are adopted by Council, any late fees payments of \$21.24 that have already been received by the City will be credited back to the property owner against 2024 property tax bills.

The 2024 Operating Budget includes \$0.850 million in estimated revenue resulting from the late fee introduced for this year that had been based on prior year declaration results and reviews of the experiences in Vancouver and Ottawa. Waiving the late fee for this year will be offset by final VHT revenues for the 2022 taxation received and reflected in 2024 budget results.

VHT Payments Received

As of April 10, 2024, VHT payments had been received for the 2023 taxation year from 227 properties with a total of \$0.352 million in revenue collected.

Staff will undertake a review against these 227 properties to determine if payments received were made from either the 1,475 properties that declared themselves as vacant or the 10,155 properties that staff expect are vacant from our previous analysis.

In cases where payments were received from properties outside of the above criteria,

staff will reach out to the property owner to confirm whether the payment was made due to actual vacancy. If not, an option will be provided for the payment to be either credited back to the property owner or reimbursed, based on the property owner's preference.

For future VHT payments for the 2023 taxation year made at a City counter, Revenue Services staff will also ensure that property owners are asked to confirm that the property is in fact vacant and not eligible for an exemption.

Notice of Complaints Submitted based on Eligible Exemptions

Staff have prioritized the review of 108,000 Notice of Complaints submitted stating property occupancy, enabling the reversal of charges and notice being provided to property owners no later than April 23, 2024.

There have been a further 781 Notice of Complaints received that were filed under one of the City's eligible exemptions. These include death of owner, repairs or renovations, principal resident in care, transfer of property, occupancy for full-time employment or court order.

These Notice of Complaints will follow the approved review and appeal process and once/if confirmed by the City, any VHT charges and interest incurred after initial payment due dates will be reversed.

Vacant Home Tax Program Redesign

Staff acknowledge that this year's VHT process was very challenging for both residents and Members of Council. Staff across Revenue Services, Technology Services, Strategic Communications, Legal Services, the Office of the CFO, and other supporting divisions are undertaking a comprehensive review to inform a complete redesign of the VHT program for the 2024 taxation year. This review will include exploring all options and possibilities to improve the process with specific focus on the following four key areas and initial observations:

- ***Process and Timelines:***
 - Ensuring adequate time for declarations to be received
 - Reducing reliance of Notice of Complaint process for properties deemed vacant
 - Consideration of timing between initial payment due dates and Notice of Complaint review and confirmation requirements
 - Authority for staff to delay billing and payment due dates if declaration targets have not been achieved

- ***Technology and Customer Interface:***
 - Customer focused declaration interface
 - Providing a confirmation of declaration (e.g., email or text)
 - Opportunities for user recognition or pre-population of data

- **Communication Strategy:**
 - Revamped multilingual communication strategy
 - Increased use of direct messaging (e.g., mail, email, phone)
 - Pre-authorized declaration notice and reminders through email or other options
 - Directing added resources to increase mass advertising
 - Enhanced Councillor toolkits to amplify City messaging
 - Nimble and data-informed approach to communications rollout, with an ability to scale up or down, depending on response rate against calendarized targets
- **Ease of Declaration:**
 - Use of existing data, where feasible or permitted, to support declarations
 - Expanded declaration opportunities for individuals with a barrier to internet access
 - Declaration events held across the City (also provided post declaration period for Notice of Compliant process)

It is also recommended that Staff report back on a completely revised VHT program design prior to the 2025 Budget Process based on the initial observations noted above, further findings following completion of a thorough review of this year's process challenges, and input from individuals impacted this year, especially from seniors, individuals for whom English is not a first language and individuals with a barrier to internet access.

Going forward, staff will also continue to work collaboratively to ensure continuous improvement with the program, with partnerships across Revenue Services, Strategic Communications, Technology Services, and Customer Experience (311 Toronto).

CONTACT

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SIGNATURE

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