

# Redesigning the Vacant Home Tax Program and Supporting Housing Supply

Date: September 17, 2024

To: Executive Committee

From: Chief Financial Officer and Treasurer

Wards: All

## SUMMARY

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In 2021, City Council approved the Vacant Home Tax (VHT) as a policy tool to help address the housing crisis that exists in Toronto. The primary objective of the VHT is to improve housing availability by reducing the number of residential properties that would otherwise be left vacant. The VHT program creates a disincentive for property owners to leave residential properties vacant and encourages them to bring these homes into the active rental or ownership housing market. Where property owners choose to keep a property vacant, revenues collected from the program are invested in initiatives that increase or preserve housing supply, such as the City's Multi-Unit Residential Acquisition (MURA) Program.

While the VHT program is still relatively new in Toronto, evidence from other jurisdictions has shown that it is an effective policy tool to increase housing supply. As seen in Vancouver, their equivalent policy tool to the VHT has directly resulted in an increase in housing stock in the rental market.

While the VHT program is an important policy tool to support housing supply in the City, the 2023 declaration process that culminated last April was incredibly challenging for residents who received a Vacant Home Tax charge for a property they continued to reside in, as well as Members of Council, their teams and City staff that fielded countless calls from distressed residents. During [a report to Council in April 2024](#), staff acknowledged the challenging 2023 VHT declaration process and immediately identified actions to address those challenges. Staff committed to undertaking a full review of the program and reporting back with a completely redesigned VHT process effective for the 2024 taxation year.

Since then, Revenue Services, in collaboration with Strategic Public & Employee Communications, Technology Services, Customer Experience (311), Legal Services, Office of the Chief Information Security Officer (CISO) and Office of the Chief Financial Officer & Treasurer have completed a full review and redesign of the program, focusing on improvements to the following four key areas, all with a customer centred approach:

1. Process and timelines,
2. Ease of declaration,
3. Communications strategy, and
4. Technology and customer interface.

Together, these improvements aim to make the declaration process as simple and accessible as possible based on feedback from discussions and consultations with various target audiences.

The recommended changes outlined in this report will ensure that homeowners are able to declare their occupancy status in a format that works best for them, whether online, in-person or over the phone, over an extended period of time with access to a dedicated customer care team should additional support be needed. The revised program will ensure a smoother and more efficient experience for Torontonians who, through annual declarations, are a key part of helping the City address its current housing crisis. These changes will also ensure that no homeowner will receive any billing related to VHT, unless they are specifically determined as vacant in accordance with the VHT program by-law.

## **RECOMMENDATIONS**

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The Chief Financial Officer and Treasurer recommends that:

1. City Council approve the following changes to the Vacant Home Tax program and timeline, effective for the 2024 Taxation Year unless specified otherwise, and amend City of Toronto Municipal Code Chapter 778, Taxation, Vacant Home Tax, accordingly:

- A. Extend the declaration due date to the last business day of April of the year following the Taxation Year in respect of which the declaration is made.
- B. Change the deadline for the issuance of the Notice of Tax to June 1. Should June 1 fall on a weekend, the bill will be issued the first business day following June 1.
- C. Change the payment due dates to the 15th of September, October, and November, from the 15th of May, June, and July, or such other date as may be indicated on a notice of assessment.
- D. Delegate authority to the Chief Financial Officer and Treasurer to alter the declaration due date, date of Notice of Tax issuance, payment due dates and Notice of Complaint deadline, if required; and subsequently report to Council, in consultation with the City Solicitor, as soon as practical with a bill to amend Chapter 778.
- E. Add a new exemption for Secondary Residence for Medical Reasons.

- F. Change the requirement for the exemption occupancy for full-time employment from “the Vacant Unit is required for occupation for employment purposes for an aggregate of at least six months in the Taxation Year, by its Owner who has a Principal Residence outside of the Greater Toronto Area” to:

“The Vacant Unit is required for residential purposes by the Owner or their spouse and the following conditions have been met:

- (a) Owner or their spouse was employed full-time during the taxation year and the nature of the employment required their physical presence in Toronto;
- (b) the employment term(s) was an aggregate of at least six months during the taxation year; and
- (c) the unit occupant (owner or their spouse) has a Principal Residence outside of the Greater Toronto Area.”

- G. Change the definition of Self-Contained Unit from “a dwelling unit which includes a dedicated washroom and kitchen” to “a dwelling unit that is classified as a residential unit by the Municipal Property Assessment Corporation, which includes a dedicated washroom and kitchen even if in disrepair”.

- H. Remove section 778-7.2. Demand for information subsection (A)(3).

- I. Change section 778-7.2 Demand for information subsection (A)(4) to “Income tax notices of assessment of any Occupant and Owner”.

- J. Change the definition of Appellate Authority from the City’s Controller to the City’s Deputy Treasurer.

2. City Council amend City of Toronto Municipal Code Chapter 441, Fees And Charges, Appendix C, Schedule 5, Revenue Services, effective January 1, 2025, to suspend the issuance of the user fee for failing to provide a Declaration of Occupancy Status by the declaration due date.

## **FINANCIAL IMPACT**

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### **Investments in Housing**

The VHT is a policy tool specifically designed to increase the supply of housing in the City by disincentivizing keeping homes vacant. When a home remains vacant, any VHT revenue collected is directed towards initiatives that increase or preserve housing supply.

Following the second year of implementation of the VHT program, it is estimated that the current vacancy rate in the City is approximately 1% - 1.2%. As the program has its desired impact of reducing the number of vacant homes, there will be a corresponding decrease in VHT revenues collected. The program currently generates approximately \$55 million annually. These funds are not used to offset general budget pressures or balance the City's budget but rather are reinvested specifically into housing initiatives. After offsetting program administration costs, funds have been used to support capital initiatives within the Housing Secretariat and Toronto Community Housing Corporation, with a further allocation towards the Multi-Unit Residential Acquisition (MURA) program that enables the purchase of at-risk private market rental housing to secure the homes as permanently affordable non-profit housing.

To date, it is estimated that the VHT program has collected total revenues of \$107.2 million (\$56.5 million for the 2022 taxation year and \$50.6 million for the 2023 taxation year). Actual revenues generated by VHT program will not be finalized until all Notices of Complaint and audits are complete for these taxation years.

To further encourage a reduction in vacancies and support adequate housing supply, City Council has approved a rate increase to the VHT from 1% of a residential property's current value assessment (CVA) to 3%, effective for the 2024 taxation year. As a result, the City anticipates a decrease in the current vacancy rate with preliminary estimates for annual revenues of approximately \$105 million in 2025. A refined estimate will be considered as part of the 2025 Budget process based on market trends and response to the program. Staff anticipate this to be diminishing revenue, with an expected decline each year as more homes are actively occupied.

### **Program Administration**

This report includes recommendations on a redesign of the VHT program that includes a series of program enhancement with an overall financial impact estimated at approximately \$5.8 million annually associated with administering the program. This includes areas of staffing for a dedicated customer care team available through 311, totalling an estimated \$1.1 million annually. The enhanced communication strategy including a more robust print and online advertising campaign, additional mail notices, and print and postage costs for tax bills inserts is expected to have an annual cost of approximately \$1.6 million. Table 1 below provides details on proposed additional impacts for the 2024 VHT Taxation Year.

**Table 1: Comparison of 2023 and 2024 VHT Program Administration Budgets**

	2023 Taxation Year (\$M)	2024 Taxation Year (\$M)	Added Investment (\$M)
General Administration	3.1	3.1	0
Customer Care Team	0	1.1	1.1
Communications	0.12	1.6	1.5
<b>Total</b>	<b>3.2</b>	<b>5.8</b>	<b>2.6</b>

Program administration costs will continue to be fully offset through VHT revenue collected with no impact on the City’s property tax base.

### **Waiving the Declaration Late Fee**

For the 2023 taxation year, City Council waived the user fee for failing to declare occupancy status by the due date (Item CC17.1). This fee had previously been implemented as of January 1, 2024, at an amount of \$21.24 for each property owner with the intent to apply funds received to administrative costs. Staff recommend that the user fee continue to be waived while the success of program redesign initiatives are evaluated. Staff will reassess the success of the program through evaluation of the ease of declaration and the declaration rate to make appropriate recommendations on the further extension of this user fee waiver or the reinstatement of the inflation-adjusted user fee for subsequent taxation years.

Given the recommended program design changes in this report, specifically including the extended deadline to April 30, increased ease of declaration, and enhanced communication strategy, staff expect the number of property owners to submit a late declaration to be significantly minimized in future years.

### **DECISION HISTORY**

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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 VHT beginning in 2022. At this meeting, City Council also directed staff to annually report back with findings, and to prioritize an investment of at least \$10 million annually in the MURA program from the program revenues.

On October 11, 2023, City Council adopted [EX8.7 – Vacant Home Tax: Status Update](#), approving administrative amendments to the program design, and a rate increase from 1% to 3% of a property’s CVA. City Council also requested staff review the feasibility of

creating a new VHT exemption for a Secondary Residence for Medical Reasons for the 2024 tax year.

For both 2022 and 2023 taxation years, City Council approved an extension to the declaration period. In February 2023, City Council adopted [Item MM3.17](#) – Extending the Vacant Home Tax Declaration Due Date and Adding Additional Instalment Due Dates for Making VHT Payments, to extend the declaration deadline for the 2022 taxation year to February 28, 2023. In March 2024, City Council adopted [EX12.9 – Extending Declaration Date for the Vacant Home Tax for the 2023 Taxation Year](#), which provided an extension to the declaration period for the 2023 taxation year to March 15, 2024.

On April 17, 2024, City Council adopted [CC17.1 – Immediate Actions to Address the 2023 Taxation Year of the Vacant Home Tax](#), waiving the fee for failing to declare by the deadline, authorizing the use of 2022 occupancy data for 2023 undeclared properties and directing staff to report back on a completely revised VHT program design effective for the 2024 taxation year. Specifically, Council directed the redesign to include consideration of:

- a. the feasibility of an evaluation process based on City utility usage data;
- b. a comprehensive communications plan for the 2024 Taxation Year, including distinct multilingual mailings, partnerships with agencies and organizations, and internal communications improvements with Members of Council;
- c. user experience improvements to the online and in-person declaration systems, including receipting, digital confirmations, and email and/or phone contacts;
- d. the VHT declaration process for 2025, and a standard practice of providing a confirmation number or receipt when declaring online;
- e. additional changes based on feedback received through 311 Toronto/Customer Experience and from Members of Council;
- f. feedback incorporated from focus groups on items “a” through “e”, with an emphasis on seniors, residents experiencing barriers to internet access, and multilingual communication;
- g. the number of vacant homes in 2022 and 2023, and any other findings on the effectiveness of the VHT program in achieving housing objectives;
- h. options on how to make the reporting mechanism more user-friendly to seniors and other vulnerable groups;
- i. the feasibility of eliminating any proposed late fees for seniors and other vulnerable groups living in their principal residences;
- j. the inclusion of a notice in the VHT bill that allows residents to declare online or by mail that their property is not vacant; and
- k. that no penalties or fees be charged to residents who declare their homes not vacant.

## COMMENTS

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### Objectives of the Vacant Home Tax Program

In 2021, Council approved the VHT Program as a policy tool in support of addressing significant housing supply challenges in the city. The VHT Program aims to increase housing supply through the following:

- Encouraging property owners to rent or sell unoccupied homes reducing the number of properties vacant in the city; or
- Increasing or preserving housing supply in the city through reinvesting any revenue generated from the VHT program in housing initiatives such as the Multi-Unit Residential Acquisition program that enables the purchase of at-risk private market rental housing to secure the homes as permanently affordable non-profit housing.

The value of the VHT Program is amplified in the current challenging housing market. It is estimated that approximately 1% - 1.2% of homes in the City, or 8,700 to 10,000 homes, are currently vacant. Through the VHT Program these homes could be unlocked for occupancy, without the impact of rising construction costs, financing rates or needing to make significant infrastructure investments to achieve the equivalent supply through new developments.

The VHT Program aims to increase the supply of housing in the city without needing subsidization from the City's property tax base or provision of building incentives, however, to achieve this the VHT declaration process does require the support of Torontonians who, through their annual declarations, can play a key role in helping the City address its current housing crisis. Currently, the City has approximately 820,000 residential properties who are asked to submit an annual declaration, even if their occupancy status has not changed, to ensure the success of this important initiative aimed to increase housing supply.

### Reviewing the VHT Program

The 2023 declaration process was incredibly challenging for our residents that received a VHT charge for a property they continued to reside in, as well as Members of Council, their teams and City staff that fielded countless calls from distressed residents.

Staff committed to conducting a full review of the VHT Program to correct the 2023 declaration process that failed and committed to reporting back with a completely redesigned VHT process effective for the 2024 taxation year, as outlined to Council in Item [CC17.1](#) on April 17, 2024.

Revenue Services in collaboration with Strategic Public & Employee Communications, Technology Services, Customer Experience (311), Legal Services, Office of the Chief Information Security Officer (CISO) and Office of the Chief Financial Officer & Treasurer

established a working group to review and redesign the program focusing on improvements to the following four key areas, all with a customer centred approach:

1. Process and timelines,
2. Ease of declaration,
3. Communication strategy, and
4. Technology and customer interface.

Recommended opportunities for improvements have been broken down into immediate actions for the 2024 taxation year and future considerations, where applicable. Details are provided in the following section of the report. Together, these improvements aim to make the declaration process as simple and accessible as possible based on the comprehensive review of program challenges experienced last Spring and further feedback from discussions and consultations with various target audiences. Additional commentary on stakeholder engagement conducted is detailed later in the report.

## **Redesign of the VHT Program: Proposed Changes**

Following a comprehensive review that incorporated feedback from the public, Members of Council and City staff, staff have recommended improvements across four key areas, all with a customer centred approach:

### **1. Process and Timelines**

Beginning with the declaration period for the 2024 taxation year, the City has made improvements to internal processes and the overall VHT timeline to ensure more property owners are able to successfully navigate the declaration process within the required period.

#### **The recommended process improvements for the 2024 taxation year include:**

Changes to the VHT timeline that will ensure everyone has ample time to submit their property's occupancy status. This includes those who travel for extended periods. **The City will achieve this through:**

- An extended declaration period by an additional two months, allowing declarations to be made from November 1 to April 30.
  - Beginning the declaration period on November 1 is aimed to ensure outreach efforts and declaration options are available prior to extended winter travel periods.
  - The revised declaration deadline of April 30 will ensure greater alignment with other filing dates, such as Canada Revenue Agency's income tax filing deadline.
- A revised bill issuance date from March 31 to June 1



- This will mean applicable homeowners (i.e. those with vacant properties) will receive billing information in June of each year.
- The extended period of time between the deadline of April 30 and the bill issuance of June 1 will ensure appropriate time for staff analysis and review prior to distribution.
- Revised payment dates to the 15<sup>th</sup> of September, October, and November of each year, rather than current dates of May, June and July.
  - This change ensure adequate time for residents to file a Notice of Complaint for limited properties that may ultimately be deemed vacant prior to any payment due dates.

As discussed in greater detail in the following Communication Strategy section, the changes in process timelines will be complimented with enhanced communication efforts.

- Increased notifications to property owners including two direct mailed notices (November 2024 and March 2025) as well as two rounds of email notifications and two rounds of robocalls as necessary to residents that have not yet submitted declarations; and
- Improved integration between 311 and Revenue Services for enhanced customer service support, including a dedicated Customer Care team, with the ability for the integrated call centre to accept declarations over the phone, with access to service in over 180 languages.

A key program design change includes providing delegated authority to the CFO & Treasurer to alter the bill issuance date, payment due dates and Notice of Complaint deadline if required to ensure the successful administration of the VHT program.

- This report recommends that the CFO be granted authority to further extend key dates as required based on real-time metrics. The billing process will not begin, and bills will not be issued, until the CFO has provided authorization and signoff.
- Any changes to the established deadlines will be clearly communicated to applicable property owners and will ensure there is sufficient time for various processes such as the production of the bills and mailouts.

Staff are also proposing a full waiver of the declaration late fee, should homeowners not submit a declaration by the due date.

- Staff recommend that the user fee continue to be waived while the success of program redesign initiatives are evaluated.
- In evaluating the success of the redesign initiatives on annual basis, staff will determine if and/or when the late declaration fee should be reinstated.

Moving forward into the 2025 taxation year and beyond, processes will continue to be examined and new options explored to further improve the customer experience such as a review of the new timeline to determine effectiveness of the program enhancements.

## 2. Ease of Declaration

A key objective of the VHT Program redesign was to enable declarations through increased channels while also reducing any technological or language barriers that exist to ultimately ease the declaration process.

The program redesign placed an emphasis on simplifying the declaration process to ensure it works well for all homeowners, who will now have the ability to declare their status in a format that works best for them (whether online, over the phone, or in-person) over an extended period of time. Consistent with previous years, homeowners will continue to also have the option of allowing another authorized individual declare on their behalf.

While most declarations are expected to be received through the City's online portal, non-digital options to submit a Declaration of Occupancy Status will now be available. The following options will be available to submit your 2024 VHT declaration:

- **Online VHT declaration portal**
- **Calling the dedicated VHT Customer Care Team** – available by calling 311 and selecting the VHT priority option.
  - Beginning with the 2024 declaration period, a 311 and Revenue Services integrated call centre will be set up to accept declarations over the phone.
  - The VHT Customer Care Team will have access to multilingual support in 180 languages.
- **Drop-in sessions** - Increasing the number of drop-in sessions to be held across the City to educate and assist homeowners with the declaration process. Session timing will correspond with major VHT communication initiatives.
  - Revenue Services will also be available for further drop-in sessions (Councillor events, community groups, condo buildings, etc.) upon request.
- **Tax and Utility Inquiry and Payment Counter** – Residents who visit City counters will be asked if they have had an opportunity to submit their VHT declaration for the year and, if not, staff will be able to accept declarations.
- **311 Services** – The working group is working with Customer Experience (311) to establish a process that would enable 311 to ask residents who call 311 for other services if they have had an opportunity to submit their VHT declaration for the year and, if not, will be provided with an option to be directed to the VHT Customer Care Team to complete.

- **Paper Declaration** - Additionally, homeowners can request a paper declaration form through 311 or at a Tax and Utility Inquiry and Payment Counter.
  - While the paper declaration option will be available, individuals that seek this option will be informed of other channels available for declaration.

**In summary, the following ease of declaration improvements will be implemented for the 2024 taxation year:**

- Embedding links to the declaration form via hyperlink when communicating via digital channel (e.g., email, digital ads, etc.) and QR code when communicating via physical channel (e.g., mail, billboards, etc.) to ensure easy access to the City's online portal.
- Ensuring non-digital formats are available to homeowners to declare their status including the option to submit a declaration over the phone, in-person at Inquiry & Payment Counters and at City drop-in sessions.
- Increased outreach by providing drop-in sessions at Inquiry & Payment Counters
- Activation of a dedicated Customer Care Team that can accept and confirm declarations over the phone with access to multilingual support in 180 languages.
- Continued ability for declarations to be submitted by someone else on behalf of an owner.

### **3. Communications Strategy**

The VHT program communications strategy has been enhanced and will engage Torontonians not only about *what* they need to do but *why* this policy helps the city as a whole to increase housing supply. The strategy includes an overhaul of the VHT web pages and declaration portal, expanded direct communications with simplified language (including mailed letters/notices), and a multi-faceted communications plan.

The overarching communications strategy for the rollout of the VHT for the 2024 taxation year uses all available direct and indirect touchpoints to reach homeowners. A multi-media communications campaign includes advertising in multiple languages (English, French and the top 10 home languages in Toronto). All property owners will receive at least one direct mailing. For those who do not declare their property status after the first mailing, another mailing will be sent, which will be preceded by targeted emails and robocalls. As outlined below, once people declare their property status, they will no longer receive direct reminders for 2024. Leveraging these direct points of contact will help ensure that owners understand the importance of the VHT program in helping to create more affordable housing and increase the housing supply in Toronto. Homeowners will receive clear information about what they need to do to make a declaration of occupancy status, and by when they need to act.

For the 2024 taxation year, the following is being implemented:

- **Enhanced direct communications:**

- November 2024: The first direct mail will be issued to all owners of residential property in Toronto. The notice will include instructions on how to make a declaration of occupancy status, highlight information needed for their declaration and a QR code directing users to the City's VHT portal and web pages. The envelopes the notes are sent in will be yellow and have messaging about VHT printed in red.
- November 22, 2024 (***National Housing Day***) – Enhanced communication and outreach efforts highlighting the importance of the VHT Program to support the increase of housing supply in the city.
- December 2024: The first round of emails will be sent, excluding homeowners who have already submitted a declaration of their property's 2024 occupancy status.
- January 2025 – VHT buck slips will be included with interim property tax bills to spread program awareness.
- February 2025: First round of robocalls to owners of residential property who have not declared occupancy status.
- March 2025: Second direct mail to owners of residential property who have not yet submitted a declaration of occupancy status, which will highlight the specific VHT charge that would be applicable if the property were ultimately deemed vacant.
- March 2025: Second round of emails to homeowners who have not yet submitted a declaration of 2024 occupancy status.
- April 2025: Second round of robocalls to homeowners who have not yet declared occupancy status.

- **Enhanced campaign strategy:**

- *Data supported:* The enhanced communication strategy will be informed by declaration rates throughout the process to both understand the success of communication initiatives and to guide added or enhanced activities if required.
- *Broad approach:* Increased outreach to a variety of audiences through translated print and online advertising in multilingual and specialized media outlets and translated messages in mailouts.

- *Clear language*: Simplified, clear instructions on how to declare occupancy status and plain language messaging about the overall goal of the VHT, to increase the housing supply in Toronto.
- *Robust advertising*: Increased advertising reach through a broadened multi-media campaign that includes transit shelter ads, TTC subway/ bus/ streetcar posters, print and online ads, condo elevator screens, radio spots and geo-targeted ads on social media platforms
- *Social media*: City of Toronto corporate social media channels to deliver multimedia messages about the program and responses to questions received on these channels.
- *Media outreach*: Proactive media relations including news releases and media pitching.
- *Councillor toolkits*: Materials provided for each major program and communication event including Q&As with information to help Councillors' offices answer inquiries from constituents and provide support, prepared articles for use in Councillor newsletters, social posts and creative to share with constituents.
- *Toronto.ca*: Revamped webpages with clear instructions and plain language.
- *Activate partners*: Flyers in community centres, civic centres, City agencies and libraries to further build awareness.
- *QR code convenience*: QR codes will be used on materials as appropriate to connect owners directly to the VHT web pages for information or to make their declaration.

In addition, staff will continue to consider future opportunities to expand the communications strategy, including further collection of property owners' contact information to expand opportunities for direct communications.

#### **4. Technology and Customer Interface**

Homeowners opting to use the City's online portal or seeking further information about the VHT program online will now have a better user experience submitting their annual declaration.

Previously, it was challenging to determine the required steps throughout the portal which resulted, in some instances, in homeowners abandoning the declaration process prior to fully submitting their declaration. Homeowners will now be able to easily track their progress through the online portal as they are making their declaration and will receive a confirmation email after submission, if an email address is provided. They will also be able to easily print and/or save their confirmation receipt; and receive a confirmation email if an email address is provided.

**Informed by customer experience research with selected user groups, the following technological improvements are being implemented:**

- QR codes on mail-out notices directing users to the City's VHT webpage and portal.
- Enhanced online declaration portal to ensure it is easier to submit a declaration, which will include:
  - An easier login process by simplifying the authentication requirements. The portal will now allow the user to sign in with the property's assessment roll number or their property address, in addition to the owner's customer number.
    - Direct mailouts to property owners will ensure all information required to submit a declaration is provided and highlighted for ease of use.
    - Staff acknowledge that the assessment roll number in particular is challenging for data entry reasons due to its length (21 digits) and therefore have provided the option to reference an address instead.
  - A "progress tracker" has been added to let users know where they are in the declaration process.
  - Easy to understand plain language to ensure users understand the questions and requirements.
  - The ability for another authorized individual to submit a declaration on a homeowner's behalf in the portal.
  - The ability to easily print and/or save the confirmation at the end of the process for all users.
  - Provision of an email confirmation receipt upon submission for all users who provide an email address during the process.
- The portal will be supported by a mobilized dedicated response team to address any surge capacity.

Additionally, the City is working to improve the homeowner email database for VHT administration purposes. There will now be the option for the owner to provide their email address if they are interested in receiving future VHT program reminders and updates via email.

Staff will also continue to explore the opportunity for further improvements in future years to improve the overall customer experience. This will include continued review of options for prepopulated forms, based on previous declaration data, and investigating the ability to provide a confirmation to mobile devices by validating and accepting mobile numbers.

## Stakeholder Engagement

The VHT working group consisting of staff from Revenue Services, Strategic Public & Employee Communications, Technology Services, Customer Experience (311), Legal Services, Office of the Chief Information Security Officer (CISO) and Office of the Chief Financial Officer & Treasurer tasked with the redesign of the VHT Program were supported by various stakeholders throughout the redesign process.

Key engagement activities with stakeholders included:

- **Feedback and Observations on Previous Program Challenges** – The working group collected information on key program challenges experienced last Spring from the public, Council Members and their offices and City staff.
  - Critical challenges identified included lack of program awareness, communicating the need to declare annually, declaration portal issues including lack of confirmation, inadequate outreach, and reliance on the Notice of Complaint process to resolve discrepancies.
  - Redesign efforts detailed in the prior sections aimed to address all feedback and observations provided.
- **Program Redesign** – Stakeholders were engaged to review key elements of the initial VHT Program redesign to ensure the proposed changes addressed all challenges experienced. This resulted in additional improvements which were identified and incorporated into the final proposal, following valuable stakeholder feedback. Stakeholder groups who were engaged include:
  - Toronto Seniors Forum,
  - Council Members and their offices,
  - Customer Experience Divisional staff who received VHT inquiries from the public,
  - Digital Citizen Advisory Group (usability testing),
  - Representatives from multilingual communities; and
  - Digital Citizen Advisory group members.

Additional feedback will be received through various meetings with stakeholder groups in the fall.

- **Usability Testing** - Customer research was held to obtain feedback on the program enhancements for the 2024 changes and future program considerations. The goal of the research was to understand if customers had a basic understanding of the VHT Program and how it applies to their situation, and to test the ease of completing declarations online.
  - During the month of September, usability testing was conducted through 45 to 60 minute remote sessions.
  - Digital Citizen Advisors (DCA) were utilized to recruit 12 to 15 members of the public to participate in the testing. All participants were to have

previously submitted a VHT declaration for themselves or on behalf of someone else.

- The participants selected were from a mix of demographics (age, location, race, language) with mixed proficiency with online tools. Seniors and people using English as a second language were included.
- The objective of the testing was as follows:
  1. *Learn about VHT:*
    - Assess clarity of the November and March paper notices and web page
    - Identify additional information needed
  2. *Submit a declaration:*
    - Assess ease of declaration portal
    - Identify pain points in process
  3. *Receive confirmation of declaration:*
    - Assess clarity of the confirmation web page and the confirmation email
    - Identify additional information needed
  4. *Provide input on the future VHT Program:*
    - Make suggestions for the future of the program
    - Assess concepts being considered for the future of the program

As of the date of this report, the results of the engagement sessions were still being reviewed and analyzed. Any resulting changes to program design or the declaration portal will be identified in future VHT reporting.

- ***Declaration Portal Demonstrations*** – Will be provided to Councillor Offices in the weeks prior to November 1, 2024, for information and to enable constituency supports.
  - An initial demonstration is also planned during the October 1, 2024 meeting of Executive Committee.

## **Annual Status Update on the VHT Program**

Further information on the VHT Program's activity since its inception in 2022 is provided in the sections below.

### ***Number of Properties Declared or Deemed Vacant***

As noted in Table 2 below, as of August 14, 2024, 10,180 properties were estimated to be vacant for the 2022 taxation year followed by 8,695 properties for 2023. While the



sample data is limited to those two years only, the number of vacant properties (both deemed and declared vacant) has decreased since the start of the program.

*Table 2: Vacant Home Tax – Number of Accounts Declared and Deemed Vacant as of August 14, 2024*

	No. of Accounts	VHT – Final Amount Billed (\$ millions)
<b>2023</b>		
Declared Vacant	1,453	\$11.171
Deemed Vacant	7,242	\$39.471
<b>Total</b>	<b>8,695</b>	<b>\$50.641</b>
	<b>1.07 %</b>	
<b>2022</b>		
Declared Vacant	1,936	\$14.949
Deemed Vacant	8,244	\$41.593
<b>Total</b>	<b>10,180</b>	<b>\$56.542</b>
	<b>1.25 %</b>	

### **Notices of Complaint and Audits**

The actual number of vacant properties in the City of Toronto will not be finalized until all Notice of Complaints and audits for the taxation year have been completed.

For the 2022 and 2023 taxation years, property owners can file their Notice of Complaint until December 31, 2024. For these years, an extension to file a complaint may be granted to December 31, 2025. Audit activities may continue for three years, therefore any statistics reported are considered estimates and will be updated through the VHT annual report until actual vacancies and corresponding VHT revenues can be accurately reported.

As of August 14, 2024, the number of Notice of Complaints received for the 2022 taxation year was 38,003 and for the 2023 taxation year was 169,149. Table 3 provides a summary of the complaints that have been processed. The recommended program redesign elements for the 2024 taxation year will help to reduce the reliance on this process to resolve disputes, by clearly communicating the annual declaration process, extending the declaration deadline, and offering a variety of declaration opportunities to property owners.

*Table 3: Notices of Complaint Processed as of August 14, 2024*

Current Complaint Status	2022 Complaints Processed	2023 Complaints Processed
Decision: Not Vacant	36,508	165,178 <sup>1</sup>
Decision: Exempt	791	2,847
Decision: Not Exempt	10	0
Decision: Vacant	290	8
To Be Reviewed	404	1,116

<b>Total</b>	<b>38,003</b>	<b>169,149</b>
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Note: Figure includes 40,891 declarations of occupancy Status that were pushed from 2022 to 2023. The City may audit any declaration with respect to the occupancy or exemption claim related to the residential unit for a period of three years. As part of the audit process, City staff will be reviewing all exemption claims to ensure they meet the requirements under the By-law. Audit activities began in early 2024 and progress will be included in future reports.

As of August 14, 2024, the number of audits initiated for the 2022 taxation year was 7,997 (of which 3,590 audits have been concluded) and for the 2023 taxation year was 6,559 (of which 1,142 audits have been concluded). The review of audits for the 2022 and 2023 taxation years is ongoing. Table 4 provides a summary of the audits that have been initiated, reviewed, and processed.

*Table 4: Audits Initiated, Reviewed, and Processed as of August 14, 2024*

<b>Current Audit Status</b>	<b>2022 Audits Processed</b>	<b>2023 Audits Processed</b>
Decision-Not Vacant	19	0
Decision-Exempt	3,571	1,142
Decision-Not Exempt	0	0
Decision-Vacant	0	0
Under Review	4,407	5,417
<b>Total</b>	<b>7,997</b>	<b>6,559</b>

### ***Impacts of Vancouver’s Empty Homes Tax and Monitoring Impacts in Toronto***

While it is still relatively early to determine program outcomes in the City of Toronto, there is strong evidence that the Empty Homes Tax (EHT) is reducing the number of vacant residential properties in Vancouver. From 2017 to 2022, the number of vacant properties decreased by 54%, with 2023 results yet to be reported.

Following the introduction of the EHT in 2017, there has been a positive impact on the rental housing supply with a significant shift toward long-term rental. Between 2018 and 2019, Vancouver saw an increase of 5,920 condominium units in the long-term rental stock. This increase exceeded the number of new condominiums added to the stock during that period, indicating a shift toward long-term rental from a previous use, which was attributed to the EHT. Since then, the overall number of condominium units in the rental pool continues to increase due to both increasing supply and a shift toward long-term rental. Between 2021 and 2022 there was an overall increase of 1,631 units to the condominium rental market.

Since the launch of the EHT, the City of Vancouver has allocated over \$142 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. Vancouver's EHT rate remains at 3% for the 2023 taxation year.

The City of Vancouver prepares an annual progress report on the EHT. The most recent report released is the ["Empty Homes Tax Annual Report – 2022 Vacancy Reference Year"](#).

As the VHT program continues, City staff will monitor key housing system indicators to assess its impact on the rental housing market. Data has not been available for sufficient duration to identify impacts from the early rollout of the program. Key indicators that will be monitored and reported on annually include:

- the number of vacant and occupied residential properties in the city;
- changes in the number of secondary rental market units in the city, relative to new unit completions; and
- revenue generated from VHT and contributions to other affordable housing programs.

## **Response to EX8.7: Rental Properties & New Exemption for Secondary Residences for Medical Reasons**

On October 11, 2023, City Council adopted [EX8.7 - Vacant Home Tax: Status Update](#), requesting the inclusion of information about rental properties in future reporting, and for staff to explore the feasibility of a new exemption for secondary residences required for medical reasons in the 2024 annual report.

### ***Rental Properties***

All residential properties in the City of Toronto are required to submit an annual declaration in support of the VHT program.

As defined by Chapter 547 of the City's Municipal Code, properties that are used for short-term rental in the City of Toronto must be the owner's principal residence. Although an annual declaration is required for all residences, principal residences are considered as 'occupied'. If a property is not the principal residence of a homeowner, formal tenant, or other occupant, then it may be subject to a VHT charge if no other exemption applies.

A tenant is defined as a person who occupies a residential unit for at least 30 days as outlined in a written lease or sublease. Properties declared as 'tenanted' must be occupied by one or more tenants for at least six months aggregated during the taxation year. If audited, the owner would be required to provide evidence in the form of a lease agreement. If the owner is not able to substantiate their claim of occupied tenant, the property will be charged the tax. This process is currently in place for the 2023 taxation year.

Any rental property that is not a defined short-term rental in accordance with the definition above (i.e. a principal residence) and does not have a lease in place for an

aggregate of 6 months or more, may be subject to the VHT should no other exemptions apply.

### ***Secondary Residence for Medical Reasons***

Members of the public and City Council have expressed the need for a new exemption for secondary residence for medical reasons. Vancouver has implemented this exemption and staff are recommending adopting a similar exemption effective for the 2024 taxation year.

This exemption would be for properties used as a secondary residence that are occupied periodically by the owner, their spouse or dependent for medical purposes and where the owner of the property has a principal residence outside of the Greater Toronto Area. To qualify for this exemption, detailed personal medical information and test results are not required. When claiming this exemption, the owner and the medical care provider must fill out a Vacant Home Tax Medical Treatment Certificate Form

### **Use of Utility Data**

City Council directed staff to review the feasibility of a VHT evaluation process based on City utility usage data.

Staff have sought a formal opinion from the Information and Privacy Commissioner of Ontario (IPCO) regarding the use of utility usage data for the purposes of administering the VHT program. In addition, staff have explored the feasibility from an administrative and operational perspective.

Staff continue to await a formal opinion from the IPCO however in the absence of a formal response, staff have identified significant concerns and challenges with using utility data, and it is not seen as an effective or efficient way to administer the VHT program.

Condo buildings with bulk meters make up approximately 60% of all residential properties subject to the VHT declaration process. This means that approximately 492,000 individual property owners do not have access to their own individual utility meter. Utility data cannot be obtained from these properties or from a number of other properties for various reasons (e.g. flat rate accounts).

Further, it is important to design a declaration process that is clear, fair and consistent among all property owners. As more than half of homeowners would not be able to leverage utility data (including water and/or hydro accounts), staff do not recommend pursuit of this option.

The following considerations have also been flagged as additional challenges in administering the VHT program if utility data were to be relied upon for declarations:

- The declaration process for the 2024 taxation year opens on November 1, 2024 and it would be challenging to implement a revised process that addresses concerns at this stage even if the IPCO provided a formal opinion that utility data

could be leveraged for the VHT declarations.

- Resident travel activities, including those with a principal residence who travel for an extended period (e.g. snowbirds) could cause the utility use to be below the prescribed threshold. To avoid being charged VHT, owners would have to notify the City of travel plans which creates security and privacy concerns.
- Properties with estimated meter reading or experiencing leaks may result in an incorrect status.
- Secondary residences consume water, therefore utility usage is not an accurate way of determining if a property is a principal residence. Per the VHT by-law, if the property is not a principal residence, the VHT charge applies. Owners that run illegal short-term rental properties would be considered occupied based on water consumption.
- Variations in household consumption and various demographics may use less water and fall below the prescribed threshold.
- Requirements of historical data is challenging, which can be compounded by ownership transfers during the taxation year.
- The use of utility data for metered properties would result in two separate declaration processes which could result in added program confusion.

While staff do not recommend leveraging utility data as a main source for declarations, it may be used to support reviewing Notices of Complaint, Appeals and Audits, along with other required supporting documentation.

### **By-Law Amendments**

This report includes recommendations for amendments to the VHT By-law to improve administration of the program and billing of this tax, in accordance with the program redesign elements detailed earlier in this report. This includes:

- Amendment of the declaration due date, billing date and payment dates,
- Delegated authority to the CFO & Treasurer to alter timelines as required, including the issuance of the bills,
- Introduction of a new exemption for secondary residences for medical reasons,
- Expansion of the definition for 'Self-Contained Unit',
- Changing the definition of "Appellate Authority",
- Removing some of the acceptable supporting documents currently outlined,
- Updating the requirements for the exemption occupancy for full-time employment, and

- Continuing to waive the user fee for failing to declare an occupancy status by the declaration deadline.

The intention of these changes is to improve clarity and efficiency to the overall administration of the program.

## Conclusion

While staff acknowledge this past year's declaration process was particularly challenging, they remain optimistic that the VHT program is an effective policy tool to increase housing supply. Through the collaboration of several City divisions, staff are committed to implementing the improvements identified in this report immediately, for the 2024 taxation year which will begin on November 1, 2024. Staff appreciate the ongoing support from Members of Council, their offices, and homeowners in contributing to the City of Toronto's objective of ensuring adequate housing and are thankful for combined efforts in ensuring declarations are submitted. With a variety of formats now available, along with enhanced communications, a simpler-to-use portal and a dedicated customer care team, staff hope to ensure a successful VHT program for this upcoming year and beyond. The divisional working group will continue to review results on an ongoing basis and will explore further opportunities for subsequent improvements to the customer experience.

## CONTACT

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## SIGNATURE

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Stephen Conforti  
Chief Financial Officer and Treasurer