
From: McPhail, Roxanne <Roxanne.McPhail@york.ca> **On Behalf Of** Regional Clerk
Sent: Tuesday, November 2, 2021 9:17 AM
Subject: Regional Council Decision - Vacant Homes Tax to Support Affordable Housing

On October 28, 2021 Regional Council made the following decision:

1. Council direct staff to develop a feasibility study and public benefits review of a Vacant Homes Tax in York Region.
2. Any revenues from a Vacant Homes Tax, net of costs, be used to support affordable housing initiatives.
3. The Regional Clerk circulate this report to the Ministries of Finance and Municipal Affairs and Housing, the local municipalities, and the local Chambers of Commerce/Boards of Trade.

The original staff report is attached for your information.

Please contact Edward Hankins, Director, Treasury Office and Deputy Treasurer at 1-877-464-9675 ext. 71644 if you have any questions with respect to this matter.

Regards,

Christopher Raynor | Regional Clerk, Office of the Regional Clerk, Corporate Services

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The Regional Municipality of York

Committee of the Whole
Finance and Administration
October 14, 2021

Report of the Commissioner of Finance, the Commissioner of Community and Health Services and
the Chief Planner

Vacant Homes Tax to Support Affordable Housing

1. Recommendations

1. Council direct staff to develop a feasibility study and public benefits review of a Vacant Homes Tax in York Region.
2. Any revenues from a Vacant Homes Tax, net of costs, be used to support affordable housing initiatives.
3. The Regional Clerk circulate this report to the Ministries of Finance and Municipal Affairs and Housing, the local municipalities, and the local Chambers of Commerce/Boards of Trade.

2. Summary

In 2017, the *Municipal Act, 2001* ("Act") was amended to allow municipalities designated by the Minister of Finance and who have an enabling bylaw, to impose a Vacant Homes Tax ("Tax") on the assessed value of vacant residential properties. Given housing affordability concerns in York Region, staff plan to study the potential for a Vacant Homes Tax to improve the availability of rental units in the secondary market and fund affordable housing projects. This report has been prepared to seek Council opinion on the advisability of proceeding with a study.

Key Points:

- In May 2021, the Region established the Housing Affordability Task Force with a mandate to identify solutions to housing affordability problems
- Other than the City of Toronto, only municipalities that are 'designated' by the Province are eligible to levy this Tax. To date, no municipality has been designated in Ontario
- Any municipality wishing to levy this Tax must have an enabling bylaw that:
 - identifies the tax rate
 - identifies conditions of vacancy, and

- includes matters considered appropriate such as potential exemptions, rebates etc.
- 1% - 2% Region-wide Tax could potentially generate between approximately \$15 million and \$90 million in gross revenues in the first year

3. Background

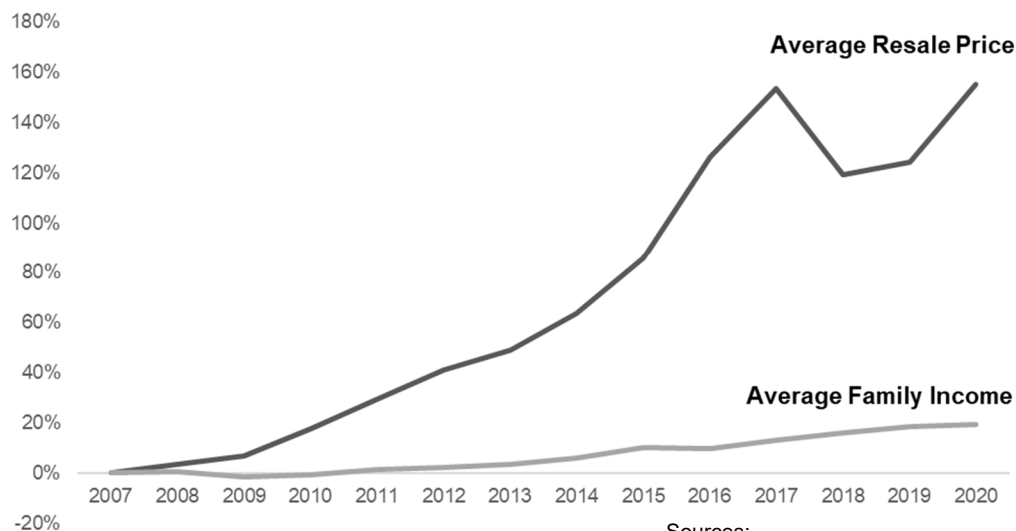
The need for more affordable housing options in York Region is well-established

Complete communities include rental and ownership housing options that meet the needs of residents of all ages, stages and abilities. A variety of affordable housing options supports economic development, is a major contributor to individual and community health and well-being, and, as was communicated to Council in [January 2021](#), is required to support growth projections in the Regional Official Plan (ROP).

The annual affordable housing monitoring exercise measures the affordability of new homes against affordability thresholds calculated based on Provincial definitions. The 2020 analysis was presented to Council in [June 2021](#) and identified that only 8% of new housing was affordable, well below Regional Official Plan affordable housing targets of 25% across the Region and 35% within centres and corridors.

Housing costs should not exceed 30% of gross income to be affordable. York Region has the highest proportion of households in the GTHA spending over 30% and over 50% of their income on housing costs. One of the key factors impacting housing affordability is that increases to housing prices have far outpaced increases to average incomes. Since 2007 average resale home prices in York Region have increased by over 150% whereas average family income has increased by less than 20%.

Figure 1
Average Resale House Price and Average Family Income, 2007 to 2020



Sources:
TRREB Market Watch Report, 2007-2020
Bank of Canada, Taxfilers data, 2019 & 2020

Rental housing provides more affordable housing opportunities; however, vacancy rates in York Region fall significantly below rates for a healthy rental market and overall supply is low. At 14%, York Region has the lowest proportion of its housing stock in rental tenure in the GTHA. Staff estimate that over 60% of units within the rental stock are in the secondary market. The secondary market helps address the demand for rental housing, but there is need for more affordable supply. In 2020, the vacancy rate for rental condominiums in York Region was 0.9%, well below the 3% vacancy rate that is typically indicative of a healthy rental market. Additions to the rental stock, including in both the primary and secondary markets, are positive contributions to the York Region housing landscape.

Affordability challenges contribute to increasing demand for community housing

As housing supply has not kept pace with residents' needs, it has become increasingly difficult for many residents to find housing they can afford. Low to moderate income households have other complex needs and barriers that can impact their ability to find and keep housing, placing greater pressure on the housing and homelessness system. As a result, York Region's subsidized housing wait list continues to grow, with 15,810 households waiting as of December 2020. York Region's community housing portfolio consists of almost 7,000 subsidized and market units; however, existing stock is insufficient to meet demand.

Between 2008 and 2019, an average of 335 subsidized units became available each year through a combination of tenant turnover and new construction. During the same period, the wait list increased by an average of approximately 1,050 households per year.

In 2021, the Region established a Housing Affordability Task Force to help address housing affordability challenges

In May 2021, the Region established a Housing Affordability Task Force ("Task Force"). The Task Force [identified](#) housing affordability as its mandate and confirmed its commitment to identify solutions to the housing affordability problem which includes evaluating best practices and tools currently available to municipalities.

Bill 127, Stronger, Healthier Ontario Act (Budget Measures), 2017 introduces the legislative authority for Ontario municipalities to levy the Tax

The Vacant Homes Tax was one of 16 initiatives under the Province's Fair Housing Plan in 2017 aimed to address housing affordability concerns. Through Bill 127, *Healthier Ontario Act (Budget Measures)*, 2017, the Province amended the Act by adding a new Part IX.1, section 338.2, which provides that designated municipalities may, by bylaw, impose a tax on vacant residential units in certain circumstances¹.

¹ The City of Toronto, through the *City of Toronto Act, 2006*, does not need to seek designation.

Other than City of Toronto, municipalities need to be ‘designated’ by the Province to levy this Tax. The Province has indicated that the following steps would be required to seek ‘designation’:

- Provide evidence of public consultation
- Provide evidence of local and upper-tier engagement
- Illustrate revenue yields
- Enable a bylaw which identifies tax rate and conditions of vacancy as well as potential exemptions, rebates, etc.

To date, no municipality has been designated in Ontario.

An upper-tier municipality may implement the Tax in certain local municipalities and may set different tax rates in different local municipalities.

Any municipality wishing to levy this Tax must have an enabling bylaw prescribing the tax rate and the conditions of vacancy which, if met, make a home subject to the Tax. The bylaw may also detail how the tax is administered, potential exemptions and rebates, as well as the establishment/use of a dispute resolution mechanism.

Currently, the Act does not prescribe how funds collected from the Tax are to be used. While Council may decide to use revenues from the Tax for any purpose, staff recommend they be directed towards affordable housing initiatives.

The City of Vancouver has levied an Empty Homes Tax since 2017

The City of Vancouver began levying a vacant homes tax in January 2017, with an initial tax rate of 1% of assessed taxable value on residential properties. In 2019, Vancouver Council increased the rate to 1.25%, and has subsequently increased the rate to 3% for 2021. The recent increase to 3% was put forward to further encourage owners of vacant properties to make them available for the rental market, as “homes are for people, not speculation”.

According to the City’s annual report, since implementation of the tax, the number of vacant homes has dropped by 25%. As of late 2020, \$61.3 million of net revenues from the tax have been used to support affordable housing projects.

Toronto and Ottawa anticipate levying the Vacant Homes Tax in 2022

In July 2021, Toronto Council approved staff’s tax design and implementation plan to introduce a 1% Vacant Homes Tax. It is anticipated the enabling bylaw could come into effect January 2022, where tax could become payable in early 2023 based on occupancy status during the prior reference year.

While the number of vacant homes in Toronto is currently unknown, the City anticipates a tax rate of 1% could generate between \$55 million to \$66 million in revenues in its first year. It will take two years to set up the tax and the start-up cost is expected to be between \$10 million and \$13 million.

Likewise, in June of 2021, Ottawa Council approved a plan to impose a 1% tax on its vacant homes. It is estimated that the tax would generate about \$6.6 million in its first year in 2022 with billing to begin in 2023 with an estimated 1,500 vacant properties. The City anticipates it will take two and a half years to set up the tax and the cost is expected to be approximately \$3.5 million. Ongoing cost is estimated to be \$1.3 million annually to cover staffing costs, billing, printing, communication, audit and dispute resolution expense.

Many other Ontario municipalities have either reported on, or intend to report on, this Tax

In addition to Toronto and Ottawa, many of the Region's neighbouring municipalities have, or intend to, report on this Tax. Table 1 provides further details through an interjurisdictional scan of Ontario municipalities. Internationally, Israel, the United Kingdom, Paris and Melbourne have all instituted forms of this Tax in the past

Table 1
Interjurisdictional Scan*

Municipality	Reporting Detail
Peel	Reported to Council in January 2021
	Established a working group to undertake a feasibility and benefit study
	Prepared a RFP for a consultant to prepare a Feasibility Study and Public Benefit Review report
Halton	Memo to Council in October 2021
	Preparing an RFP for a consultant to prepare a Feasibility Study and Public Benefit Review report
Niagara	Reported to Council in April 2020
Hamilton	Reported to Council in July 2021
	Council provided direction to develop a framework
	Public consultation in progress September 2021
Mississauga	Reported to Council in March 2021 and to report back by end 2021
St. Catharines	August 2019 - Endorsed the concept of a vacant homes tax Resolution submitted to Niagara Region

* In July 2021, Markham staff were directed by council to investigate and report back in Q4 2021 on options related to a vacant home tax and that this report would include an assessment of the effectiveness of vacant home taxes in other municipalities, the impact of a vacant home tax on affordable housing supply and the resources required to implement a vacant home tax.

The Region has previously requested additional revenue tools and sources from the Province

Beginning in 2015, Regional Council requested City of Toronto revenue-raising powers, specifically the Municipal Land Transfer tax and the Vehicle Registration Tax. Despite receiving a response from the Province, in 2018, indicating that they could not grant this request, efforts have continued through Council reports (e.g., [Fiscal Sustainability: 2020 Update](#)), letters from the Chair and [Provincial Budget submission](#).

Regional Council, through Council reports ([Draft Rental Housing Incentives Guideline and Community Improvement Plan](#), and [Fiscal Sustainability: 2020](#)) and [Provincial budget submissions](#), has also requested that the Province allocate funds from the Non-Resident Speculation Tax, collected in York Region, to support York Region rental housing incentives. Thus far, no response from the Province has been received.

4. Analysis

Implementing the Tax would require an approach for determining vacancy

Determining and defining what constitutes a vacant home is not prescribed in the Act and is within municipal jurisdiction. Similar to homeowners in Vancouver, it is expected that those in Toronto and Ottawa will be required to make a mandatory declaration, by a specified cut off date, as to whether their property was vacant. Generally speaking, a property would be considered vacant if it has been unoccupied for more than six months during the calendar year, or if a declaration is not made, it is then deemed to be vacant in accordance with the enabling bylaw.

Other models to determine vacancy are summarized in Table 2.

Table 2
Options to determine Vacancy

Option	Considerations
Mandatory Declaration	<ul style="list-style-type: none">• Every residential property owner would be required to declare• Homeowners who do not report status would be deemed vacant
Vacant Property Declaration	<ul style="list-style-type: none">• Only self-identified vacant property homeowners will be required to declare• Those deemed vacant through audit and failed to declare vacant status will be subject to fines or penalties• Onus is placed on vacant property homeowners
Reported Vacancy	<ul style="list-style-type: none">• Identifying vacant properties through notification and/or complaint to bylaw services• Commonly considered a less effective approach to identify vacant properties• Discourages community environment

The enabling Bylaw could also provide for exemptions from the Tax as well as methods for dispute resolution

While not required under the Act, the enabling Bylaw could provide for exemptions (as well as rebates) from the Tax. Looking at what the City of Vancouver has done, exemptions could include:

- If the tenants, previously occupying the home, are in a care facility (e.g., long term care or hospital)
- If the property was empty due to the death of the owner
- Where a court order prohibits occupancy

Finally, the enabling bylaw should provide for methods of dispute resolution. Homeowners, who dispute the levying of the Tax, should have a right of redress, likely through a complaint process. In Vancouver, supplementary evidence to substantiate that the property was not vacant, and was indeed occupied, is required when filing a complaint.

Staff estimate this Tax could generate between approximately \$15 million and \$90 million in its first year

Assuming vacancy rates ranging from 0.5% to 1.5% and applying a tax rate of 1% to 2%, staff estimate that the first-year, gross revenues of a Region-wide tax could range from approximately \$15 million to \$90 million. Table 3 provides a further breakdown of these revenue estimates.

Several factors were identified that can materially affect the revenue potential from this tax, including:

Tax rates and the assessment value of properties deemed vacant

- How vacancy is defined and assessed
- Vacancy rates in the Region
- Whether the tax is implemented Region-wide
- How the revenues are shared with local municipalities

The estimated Tax revenue is a high-level calculation using an average price per unit and is based on a 100% collection rate. This is the potential gross revenue of the tax and does not take into consideration of start-up and operating expenses.

Table 3
Estimated Gross Tax Revenues in First Year in York Region

	0.50%	1.00%	1.50%
	Vacancy Rate	Vacancy Rate	Vacancy Rate
1% Tax Rate	\$14.8 million	\$29.5 million	\$44.3 million
2% Tax Rate	\$29.5 million	\$59.1 million	\$88.6 million

Currently, there is no data readily available to confirm York Region's vacancy rate in the secondary market. Staff used water consumption levels from 2018 and 2020 as one method to estimate potential vacancy rates. Using 2016 Statistic Canada report that provides an estimate of property units occupied by usual residents, analysis was conducted to isolate vacant units from those that are newly constructed and are unoccupied to determine York Region's estimated vacancy rate. A 3% vacancy rate was derived. The assumed vacancy rates of 0.5% to 1.5% are being illustrated as a conservative range, which also align with the assumed rates used in Vancouver, Toronto and Ottawa's studies. It is recognized that further work from a consultant will be required to refine estimated vacancy rates in the secondary market.

The Tax is intended to be a policy tool and would likely result in declining revenues in ensuing years

The Tax is a policy tool aimed at changing homeowner behaviors; it is expected to dampen speculative activities and help release more housing units to the secondary market. If successful, the Vacant Homes Tax would likely be a declining source of revenue as homeowners would occupy or lease out their homes to avoid the tax. This is evidenced in Vancouver where the number of vacant properties, as well as revenues collected has declined since their Empty Homes Tax was first implemented in 2017. Table 4 provides additional detail.

Table 4
City of Vancouver - Vacant Properties and revenues Collected (2017 – 2019)

	2017	2018	2019
Vacant Properties	2,538	1,989	1,893
Revenues Collected - net of exemptions (\$ Millions)	33.6	23.3	27.9

Source: Empty Homes Tax Annual Report: 2020

Revenue generated through the Tax could help support the Region's affordable housing initiatives

The Region is focused on increasing the supply of affordable and rental housing, as articulated in the 2019 to 2023 Corporate Strategic Plan, 10-year housing and homelessness plan and 2021 to 2024 Housing York Inc. Strategic Plan. The Region has been successful in maintaining community housing in a good state of repair, increasing supply and supporting residents' needs, as well as implementing policies and programs to advance market affordability. However, these plans recognize that more needs to be done to help address the Region's growing housing challenges. The revenues raised from this policy tool could help fund affordable housing priorities.

Public consultation will help explore this policy tool further

Although the Act does not prescribe a requirement to consult, based on a review of neighboring municipal experiences, best practices would indicate the need to engage

external consultants for a feasibility study and public benefits review. The results of this work would inform a recommendation report to Council and would include key findings from the review report produced by the consultant.

5. Financial

Based on interjurisdictional scan, the cost of a feasibility study and public benefits review to inform next steps should cost less than \$150,000 and can be funded within existing budgets.

6. Local Impact

Local municipalities are key partners in addressing housing affordability. In the past, input received through local municipal collaboration has been instrumental in gaining a better understanding of local housing markets and challenges as well as informing Regional policy direction (e.g., Development Charge Deferral for Affordable Purpose-Built Rental Housing).

If directed by Council to proceed, collaboration with the local municipalities would be a cornerstone in understanding the benefits of this Tax as well as developing a potential framework for it.

7. Conclusion

A full mix and range of ownership and rental housing options is a cornerstone of complete communities and is necessary to support the changing needs of York Region's residents. The Housing Affordability Task Force has identified housing affordability as a core mandate with a need to identify available tools to address this issue. The Tax is one such tool and, given Council direction to proceed, could help address the housing affordability challenges faced by residents, current and future, in the Region.

For more information on this report, please contact Edward Hankins, Director, Treasury Office and Deputy Treasurer at 1-877-464-9675 ext. 71644. Accessible formats or communication supports are available upon request.



Recommended by:

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October 1, 2021

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