6. RESIDENTIAL VACANT UNIT TAX
IMPÔT SUR LES LOGEMENTS VACANTS

COMMITTEE RECOMMENDATION

That Council:

1. **Receive the information on the implications of and best practices related to the implementation a residential vacant unit tax in the City of Ottawa, as described in this report and including the results of the initial public consultations attached as Document 1; and**

2. **Direct staff to proceed with the development of a residential vacant unit tax as described in this report, including the proposed principles and framework and public consultation plan, with the goal of implementing a residential vacant unit tax regime in 2022 for billing in 2023, to be reported back to the Finance and Economic Development Committee and Council as part of the 2022 annual Tax Policies Report.**

RECOMMANDATIONS DU COMITÉ

Que le Conseil:

1. **Prend acte de l’information sur les conséquences et les pratiques exemplaires relatives à la mise en place d’un impôt sur les logements vacants à Ottawa, dont fait état le présent rapport, en tenant compte des résultats de la consultation publique préliminaire, ci-joints en tant que document 1; et**

2. **Demande au personnel d’aller de l’avant avec la création d’un impôt sur les logements vacants, conformément au présent rapport, en tenant compte des principes et du cadre proposés ainsi que du plan de consultation publique, un régime d'imposition qui sera instauré en 2022 en vue d’une perception en 2023, et de faire rapport de la**

situation au Comité des finances et du développement économique et au Conseil dans le cadre du rapport annuel sur les politiques fiscales de 2022.

DOCUMENTATION/DOCUMENTATION

1. Deputy City Treasurer's report, Revenue, Finance Services Department, dated May 20, 2021 (ACS2021-FSD-REV-0004)

   Rapport de la Directrice générale, Services sociaux et communautaires, daté le 20 mai 2021, (ACS2021-FSD-REV-0004)

2. Extract of draft Minutes, Finance and Economic Development Committee, 1 June 2021.

   Extrait de l'ébauche du procès-verbal, Comité des finances et du développement économique, le 1 juin 2021.

Report to
Rapport au:

Finance and Economic Development Committee
Comité des finances et du développement économique
1 June 2021 / 1er juin 2021

and Council
et au Conseil
9 June 2021 / 9 juillet 2021

Submitted on May 20, 2021
Soumis le 20 mai 2021

Submitted by
Soumis par:
Joseph Muhuni, Deputy City Treasurer (A), Revenue, Finance Services Department / Trésorier municipal adjoint (T), Recettes, Direction générale des services des finances

Contact Person
Personne ressource:
KristaO'Brien, Program Manager, Tax Billing & Control, Revenue Services, Finance Services Department / Gestionnaire de programme, Facturation d'impôt foncier et contrôle, Services des recettes, Direction générale des services des finances
613-580-2424, ext. /poste 15809, Krista.O'Brien@ottawa.ca

Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE

File Number: ACS2021-FSD-REV-0004

SUBJECT: RESIDENTIAL VACANT UNIT TAX

OBJET: IMPÔT SUR LES LOGEMENTS VACANTS

REPORT RECOMMENDATIONS

That the Finance and Economic Development Committee recommend that Council:

1. **Receive the information on the implications of and best practices related to the implementation a residential vacant unit tax in the City of Ottawa, as described in this report and including the results of the initial public consultations attached as Document 1; and**

2. **Direct staff to proceed with the development of a residential vacant unit tax as described in this report, including the proposed principles and framework and public consultation plan, with the goal of implementing a residential vacant unit tax regime in 2022 for billing in 2023, to be reported back to the Finance and Economic Development Committee and Council as part of the 2022 annual Tax Policies Report.**

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et du développement économique recommande au Conseil ce qui suit :

1. **Prendre acte de l’information sur les conséquences et les pratiques exemplaires relatives à la mise en place d’un impôt sur les logements vacants à Ottawa, dont fait état le présent rapport, en tenant compte des résultats de la consultation publique préliminaire, ci-joints en tant que document 1; et**

2. **Demander au personnel d’aller de l’avant avec la création d’un impôt sur les logements vacants, conformément au présent rapport, en tenant compte des principes et du cadre proposés ainsi que du plan de consultation publique, un régime d'imposition qui sera instauré en 2022 en vue d’une perception en 2023, et de faire rapport de la situation au Comité des finances et du développement économique et au Conseil dans le cadre du rapport annuel sur les politiques fiscales de 2022.**

EXECUTIVE SUMMARY

This report responds to a motion submitted by Mayor Watson at the City Council meeting of December 9, 2020, directing staff to study the power to impose a residential vacant unit tax, an analysis of potential revenue and the feasibility and viability of implementing such as tax.

According to the Canadian Mortgage and Housing Corporation (CMHC), the vacancy levels in Ottawa were 1.6% in 2017 and 2018 and 1.8% in 2019. These rates are much lower than the 3% excess inventory threshold recommended by CMHC. The vacancy rate in 2020 increased to 3.9% primarily due to COVID-related issues and is projected to return to pre-COVID levels for the period between 2021 and 2023.

Under section 338.2 of the *Municipal Act, 2001*, municipalities can impose a tax on the assessment of vacant residential units by way of a by-law. The Minister of Finance may, by regulation, designate the City of Ottawa as having the power to impose such a tax. Currently, the only municipality in Canada charging a tax on vacant residential units is in Vancouver through their Empty Homes Tax, which came into effect in 2017. The City of Toronto is considering a similar tax and is currently putting together a vacant residential unit tax framework based on the provincial legislation. This report outlines how a residential vacant unit tax can be imposed to ensure that property owners remain motivated to return vacant units into the market supply.

The residential vacant unit tax will encourage homeowners to maintain, occupy or rent their properties, thereby increasing the housing supply. The tax will also reduce the number of property standards issues by motivating property owners to exercise their options to resolve the outstanding issues.

Staff have developed an initial framework of how a vacant unit tax program would work in Ottawa. Should Council choose to pursue a residential vacant unit tax, staff will undertake further study and develop a complete framework, with detailed policies and supporting by-laws.

SYNTHÈSE ADMINISTRATIVE

Le présent rapport donne suite à une motion déposée par le maire Watson à la réunion du Conseil municipal du 9 décembre 2020 demandant au personnel d’examiner la possibilité d’obtenir le pouvoir de fixer un impôt sur les logements vacants et d’analyser les recettes potentielles et la faisabilité d’un tel projet.

Selon la Société canadienne d’hypothèques et de logement (SCHL), le taux d’inoccupation à Ottawa était de 1,6 % en 2017 et en 2018, et de 1,8 % en 2019, des taux largement inférieurs au seuil des stocks excédentaires de 3 % recommandé par la SCHL. Le taux d’inoccupation de 2020 a atteint 3,9 %, ce qui est principalement attribuable aux problèmes liés à la COVID-19; on prévoit un retour au taux d’avant pandémie pour la période comprise entre 2021 et 2023.

En vertu de l’article 338.2 de la Loi de 2001 sur les municipalités, les municipalités peuvent, au moyen d’un règlement, fixer un impôt sur la valeur des logements vacants. Le ministre des Finances peut, par voie de règlement, désigner Ottawa comme ayant le pouvoir de fixer un tel impôt. Présentement, Vancouver est la seule municipalité canadienne ayant un impôt du genre, le Empty Homes Tax, perçu depuis 2017. La Ville de Toronto envisage de prendre des mesures semblables, et travaille actuellement à mettre en place un cadre de l’impôt sur les logements vacants qui s’appuie sur la législation provinciale. Le présent rapport explique comment un tel impôt peut faire en sorte que les propriétaires soient motivés à remettre sur le marché des logements vacants.

L’impôt sur les logements vacants encouragera les propriétaires à entretenir, occuper et louer leurs propriétés, faisant ainsi augmenter l’offre de logements. Il permettra aussi de réduire les problèmes liés aux normes de biens-fonds en incitant les propriétaires à tirer profit des options qui s’offrent à eux pour résoudre les questions en suspens.

Le personnel a préparé un cadre préliminaire pour le programme d’imposition sur les logements vacants. Si le Conseil décide d’approuver le tout, le personnel réalisera d’autres analyses et élaborera un cadre complet assorti de politiques et de règlements détaillés.

BACKGROUND

According to census data from Statistics Canada, in 2016, there were 1.34 million empty and temporarily occupied homes in Canada, with approximately 22,000 of these located in Ottawa. These vacant homes are a potential source of housing supply.

According to the Canadian Mortgage and Housing Corporation (CMHC), between 2016 and 2018, the Ottawa rental market grew in supply by approximately 1%, yet the population requiring rental accommodations grew by 3% in the same period. As a result, apartment and residential condo rentals increased by 7.8% and house rentals by 11.3% over the same period. Ottawa's rental vacancy rate reached a historic low of 1.6% during this time, which is well below the 3% considered a healthy and balanced rental market. Communities with low vacancy rates often see a correlation with a rise in rental prices, which can be further exacerbated by residential home purchases solely for speculation purposes.

According to CMHC's Q1 Housing Market Assessment, Ottawa experienced an increase in rental units causing the vacancy rate to jump from 1.8% in October 2019 to 3.9% in October 2020. 2017 and 2018 also had a low vacancy rate of 1.6%. This increase in vacant rental units places Ottawa slightly above the 3% threshold for excess inventory of purpose-built rentals for the first time since 2004.

CMHC reports this increase is likely a temporary situation created by the pandemic, which has caused a reduction in immigration and a sharp decline in university student rentals. First-time homeowners are also choosing to purchase sooner before they are priced out of the market. For example, in Sandy Hill, an area with a high student rental market, the vacancy rate increased from 2.6% to 6.7%, tying with Alta Vista as the highest vacancy rate in the City (Alta Vista increased from 1.7% to 6.7%).

Although Ottawa's vacancy rate for purpose-built units more than doubled between 2019 and 2020, the cost of renting continued to increase, with the average apartment rent increasing by 4.2% (CMHC's 2020 Rental Market Survey). The CMHC Housing Market Outlook for Ottawa anticipates that the variables impacting the housing market will gradually return to pre-COVID levels over the 2021 to 2023 period, and that home sales and prices will continue to grow at a moderate pace, moving away from the unstainable growth experienced in 2020. Slower sales growth is expected to moderate price growth. Finally, the outlook anticipates that rental demand will recover as immigration recovers, but vacancy rates will likely remain elevated.

Under section 338.2 of the *Municipal Act, 2001*, municipalities can impose a property tax on the assessment of vacant residential units by way of a by-law. The Minister of Finance may, by regulation, designate the City of Ottawa as having the power to impose such a tax. Currently, the only municipality in Canada charging a tax on vacant residential units is in Vancouver through their Empty Homes Tax, which came into effect in 2017. The City of Toronto is considering a similar tax and is currently developing a vacant residential unit tax framework based on the provincial legislation. This report outlines how a residential vacant unit tax can be imposed to ensure that property owners remain motivated to return vacant units into the market supply.

This report responds to a motion submitted by Mayor Watson at the City Council meeting of December 9, 2020. The motion asked staff to study the authority to impose an optional property tax on the assessment of vacant residential units, including an analysis of potential revenue and report back by the end of the second quarter of 2021 on the feasibility and viability of implementing such as tax.

DISCUSSION

This report discusses the feasibility of a residential vacant unit tax in Ottawa and lays out a preliminary framework on how such a tax would work.

The residential vacant unit tax will encourage homeowners to maintain, occupy or rent their properties, thereby increasing the housing supply.

Guiding principles

Staff commenced a study and feasibility of the residential vacant unit tax under the following guiding principles:

- Increase the rental housing stock available in the market;
- Fair and Equitable – the definitions must be fair and equitable in ensuring that it targets the correct units for taxation; and
- The residential vacant unit tax program should be implemented with the least administrative burden to the City and its residents.

Legislative Framework

The legislative framework for a residential vacant unit tax is outlined under section 338.1 to 338.4 of the *Municipal Act*.

Section 338.1 of the *Municipal Act* requires that a municipality be designated through regulation by the Minister of Finance as a municipality that can administer the residential vacant unit tax.

Should Council direct that staff proceed with the design of a residential vacant unit tax, staff will engage with the Ministry of Finance and provide all the pertinent details of the proposed program in order to support the Minister of Finance in his decision-making relating to designation of Ottawa as having the authority to impose a tax on vacant residential units. If designated by the Minister, Council would be able to implement vacant unit tax by-law. Designation would have to be in place no later than the year in which the tax is imposed. Under section 338.2 of the *Municipal Act*, designated municipalities in Ontario can impose a tax on vacant residential units that meet the definitions established by the municipality. Council has the authority to pass a by-law to impose a vacant unit tax on the assessed value of a vacant unit in the residential property tax class. The by-law must contain the definition of a vacant unit, the applicable tax rate, the conditions of a vacancy, possible exemptions, rebates of tax, audit and inspection powers and a dispute resolution mechanism. The basic principle is that every vacant unit that meets the definition and is not subject to any exemption would be subject to the tax, which would be arrived at as follows:

Annual Vacant Unit Tax = Vacant Unit Tax Rate x Assessed Property Value

Vacant Unit Tax Benchmarking

Staff reviewed several residential vacant unit tax regimes globally to determine best practices in implementing a successful residential vacant unit tax regime, including the cities of Vancouver, Melbourne, Oakland, Los Angeles, Paris and the Republic of Ireland. Currently, Vancouver is the only municipality in Canada imposing a residential vacant unit tax (Empty Homes Tax). Toronto has begun developing a residential vacant unit tax, but their framework is yet to be completed and approved. The Vancouver model was developed following several years of research and policy development and, so far, has targeted the right groups and successfully reduced the number of empty homes in Vancouver. Toronto and other municipalities globally view the Vancouver model as a successful model and one that can be emulated. Staff have studied the Vancouver model and engaged staff from the City of Vancouver. City staff have relied on some of the tried aspects of the Vancouver model to develop the preliminary framework contained in this report.

Public Engagement

As part of the review undertaken to develop the framework, the City consulted the public through an online survey and stakeholder consultations. Consultations were designed to gather resident and stakeholder opinions on the residential vacant unit tax. In total, 3,540 participants provided feedback from February 22 to April 15, 2021, through an online survey, written submissions, and stakeholder conversations. The online survey was promoted through social media and an insert in the interim water bill. To engage with those who had limited access to the internet, alternative methods, such as written submissions and hard-copy surveys, were also available. Demographic data was collected for survey respondents only. Three stakeholder conversations with a total of 13 participants included representatives from the Ottawa Real Estate Board, Greater Ottawa Home Builders Association, and Ottawa Small Landlord Association.

Overall, resident and stakeholder consultations indicated support for the residential vacant unit tax:

- 77% support the idea of a residential vacant unit tax
- 70% agree that the number of vacant homes in Ottawa negatively impacts the supply of affordable housing
- 52% support a mandatory declaration, where every homeowner in Ottawa would be required to tell the City each year if their home is occupied or vacant
- 72% support a tax rate of 1% or more
- 42% support a property to be unoccupied for six months before it is declared vacant
- There was strong support for the City to consider a variety of exemptions to the residential vacant unit tax.

The What We Heard Report (Document 1) presents a detailed summary of the feedback gathered from all resident and stakeholder consultation activities.

Proposed Vacant Unit Tax Framework

Staff have developed an initial framework of how a vacant unit tax program would work in Ottawa. Should Council choose to pursue a residential vacant unit tax, staff will undertake further study and develop a complete framework, with detailed policies and supporting by-laws. The first year of vacancy declaration would be 2022. Residents would declare vacancy at the beginning of 2023 for the 2022 calendar year. The properties that are deemed or declared vacant would be billed in 2023.

Eligibility and Definitions

The City must identify the properties that would be eligible for the residential vacant unit tax, should they meet the definitions of a vacant unit. In accordance with the *Municipal Act*, only residential homes classified in the residential (RT) property tax class would be subject to the residential vacant unit tax. Vacant residential land in the residential tax class and residential properties with seven or more units assessed in the Multi-Residential and New Multi-Residential class are not subject to the residential vacant unit tax. Eligible properties include single-family homes, semi-detached homes, townhomes, residential condominiums, duplexes, triplexes, fourplexes, five plexes, six plexes and other multifamily homes assessed in the residential tax class.

The City must also clearly define what constitutes a vacant unit under this regime. Staff propose the following vacant unit definition:

> **Vacant Unit:** A residential unit is considered vacant if it has been unoccupied for an aggregate of more than 184 days during the previous calendar year.

To provide additional context, staff define an unoccupied unit and a principal residence as follows:

> **Unoccupied Unit**: A residential property that is not the principal residence of the property owner or a residential property that is not occupied for residential purposes by an arm's length tenant under a tenancy agreement, or by an arm's length subtenant under a sublease agreement, for a term of at least 30 consecutive days.

> **Principal Residence**: A residential unit that is owned or rented by a natural person, alone or with others, where the natural person is ordinarily a resident and makes their home and conducts their daily affairs, including, without limitation, paying bills and receiving documentation related to identification, taxation and insurance purposes, driver's licenses, income tax returns, medical plan documentation, vehicle registration and voter registration; or similar information;

and where the natural person has no other property designated as such within the City of Ottawa or any other jurisdiction. A property owner can only have one principal residence.

To ensure consistency, this is the exact definition used by the City of Ottawa's Short-Term Rental regime and is similar to that used by the City of Vancouver.

Under this residential vacant unit tax regime, principal residences and rented properties identified by a person as their principal residence would be excluded from the residential vacant unit tax. This approach is consistent with the City of Vancouver and what is being considered by the City of Toronto.

Both Vancouver and Melbourne have similar definitions for a vacant unit.

Vancouver: Residential property is considered vacant property if it has been unoccupied for more than six months during the vacancy reference period.

Melbourne: A residential property is considered vacant if it has not been lived in for at least six months (collectively) of the preceding calendar year. The occupation does not need to be by the same occupant or for a single continuous period.

Staff have also defined situations when the City may automatically deem a property as vacant for purposes of issuing the residential vacant unit tax. A residential unit will be deemed vacant if the homeowner does not make the vacancy declaration by the required deadline or if the declaration is audited and the property is found to have been vacant.

Administration

Currently, the City does not have any way of determining if a property is vacant. Staff have studied what other municipalities globally have implemented and determined three different ways that the City can obtain this information:

Mandatory Declaration: Every homeowner in Ottawa would be required to declare to the City if their home is occupied or vacant each year. Residents who do not report their status to the City would be automatically deemed vacant. This approach is used in Vancouver.

Vacant Unit Declaration: Only those who own a vacant property in Ottawa will be required to declare. Homeowners who do not report their vacant status to the City could be subject to fines or penalties. This approach is used in the Melbourne metropolitan area in Australia.

Complaint-Based Enforcement: The City would only be able to identify a vacant property if they are notified through a complaint to the City.

These three options were included in the residential vacant unit tax survey sent out to residents. The survey responses showed that residents favoured the mandatory declaration annually over the other two approaches. The mandatory declaration approach would require every eligible residential homeowner to complete a declaration annually regarding the vacancy status of their property.

Given that the objective is to increase the housing stock available in the market, the mandatory declaration method is likely to produce the most significant degree of participation from residential property owners, and therefore the greatest number of housing conversions back into the market. The effectiveness of the Melbourne approach in capturing all the vacant units in the metropolitan area has been the subject of debate. The reach of the tax has been lower than anticipated, capturing slightly over 20% of the planned vacant properties.

On the other hand, the Vancouver approach has been quite successful in capturing more property owners and reducing vacant units. In 2017, the first year of Vancouver’s Empty Homes Tax (EHT), 2,538 properties were subject to the EHT. In 2018, the number of vacant properties subject to the tax decreased by 22%, from 2,538 in 2017 to 1,989 in 2018, and by a further 5% in 2019. This demonstrates that EHT is working to reduce the number of vacant properties and increasing the supply to the market. The City of Toronto is considering the mandatory declaration approach as part of their residential vacant unit tax regime. Staff would recommend implementing a similar approach in Ottawa to achieve the broadest reach and most effective outcomes.

The proposed timeline for the annual mandatory declaration would begin in February, following the taxable year with a deadline for the declaration that aligns with the interim property tax bill due date. Staff propose that all eligible homeowners would be reminded each year with their interim property tax bill to complete the annual declaration using an online platform (with accessible options available). All eligible 307,000 homeowners would receive the declaration reminder through an insert with their property tax bill, as an announcement on the E-Billing notification or through a targeted mailout. This will ensure all eligible homeowners are adequately notified on an annual basis. The City would also ensure that ad campaigns run during the declaration time to remind homeowners to complete the mandatory declaration promptly.

In Vancouver, the failure to declare by the due date results in the issuance of a by-law infraction, and homeowners are subject to a fine. Homeowners are also provided with an extended due date by which to declare. If the declaration is not received by the extended due date, the property will be deemed vacant and subject to the tax. Staff would recommend implementing a similar approach in Ottawa to ensure full compliance with the program.

The tax for the vacant unit would be calculated by applying the rate approved by Council to the property's assessed value as determined by MPAC. The tax would be included in the final tax bill for the year, issued in May with a due date in June. The residential vacant unit tax would be considered a lien on the property in the same manner as regular outstanding property taxes. Unpaid residential vacant unit taxes would also be subject to penalties, interest and reminders as regular property taxes.

Exemptions

As outlined in section 338.2 of the *Municipal Act,* municipalities should specify any exemptions that apply to the tax as part of the residential vacant unit tax design. Exemptions allow for specific properties that meet the definition of a vacant unit in a given year to be exempt from the tax in that year. In reviewing the exemptions offered in various municipalities globally and factoring in any unique circumstances in Ottawa, staff would consider the following exemptions appropriate for the tax:

- A property transferred under a non-arm's length sale in the previous calendar year. Proof of the land transfer tax or exemption for first-time buyers will be required. The exemption does not apply for name changes or ownership changes within arm's length.
- A federal or provincial court order prohibiting occupancy, sale or rental of a property. The exemption does not apply to orders that declare a unit uninhabitable due to the owner's inaction.

- The death of the registered property owner in the tax year.
- The registered property owner was in a hospital or a long-term facility.
- The property was undergoing extended renovations or construction, and all the appropriate building permits to support the claim were issued. The tax will apply if the property was vacant for minor renovations or under construction without a permit.

There was support for an exemption for non-principal residences listed for rent or sale for more than 6 months with supporting documentation through the consultation process. Such an exemption would require additional verification to ensure that the property was listed for rent or sale at a competitive market rate and still failed to sell or rent due to market dynamics. Staff will consult on this option further and make a final recommendation, should Council decide to proceed with the residential vacant unit tax. It is important to note that Vancouver does not offer an exemption for non-principal residences vacant for more than six months because they were listed for sale or rent without success.

Audit

To ensure full compliance with the program and that homeowners are not making false declarations, an annual audit program will be required. Audits would happen throughout the year, with the first audit starting in July of the first year of billing. Audit staff would audit several applications annually and work with the property owners to ensure that the declarations were accurate. Where a false declaration is identified, the tax would apply. Auditors would be able to audit up to two years back. For example, an audit in 2021 could include both the 2020 and 2019 calendar year.

The City would utilize several audit approaches to the select properties to audit each year. These would include, but are not limited to:

- Properties declared occupied that were vacant the year before
- A complaint or tip-based audits
- Non-Arm’s Length property sales
- Random selection audits

- Targeted audit campaigns

The City would staff in-house auditors to execute the audit program. Confidential financial and personal information would be collected during the audit process, which would be handled and stored in accordance with the *Municipal Freedom of Information and Protection of Privacy Act* (MFIPPA) and best practices on confidential information. Vancouver conducts regular audits for their EHT and currently employs two full-time auditors for the program.

Dispute Resolution

The *Municipal Act* requires municipalities to include a dispute resolution mechanism in designing the residential vacant unit tax program. Homeowners would be able to file disputes with the City on an annual basis. Disputes will be filed in writing by the set disputes due date. Various proofs would be required when filing a dispute. Staff would be authorized to conduct inspections as a result of the dispute before making a final determination.

Tax Rate

As part of the consultation, various tax rates for the residential vacant unit tax program were socialized with the public. Rates ranging from 0.5% to 2% were considered. The estimated residential vacant unit tax on the average home assessed at $415,000 would be as in the table below.

Table 1 – Estimated Residential Vacant Unit Tax

Average Residential Assessment	Residential Vacant Unit Tax Rate	Vacant Unit Tax
415,000	0.5%	$2,075
415,000	1.0%	$4,150
415,000	1.5%	$6,225
415,000	2.0%	$8,300

The survey results favoured a rate of 1%, closely followed by a rate of 2%. The City of Toronto is considering a 1% tax rate. Vancouver started with a 1% tax rate but has since increased it to 1.25% to improve the effectiveness of the program. In light of these factors, staff are considering a 1% tax rate for Ottawa's residential vacant unit tax.

Estimated Revenue and Program Costs

Statistics Canada released data in 2016 regarding vacant residential dwellings and stated that Ottawa had approximately 22,000 vacant units, compared to Vancouver with 25,202 vacant units and Toronto with 66,128 vacant units.

The City of Ottawa Property Standards Unit maintains a list of vacant properties for which they have received complaints and are verified as vacant. As of March 2021, the list had 206 properties (the majority of them residential). This is not an exclusive list, since only properties with property standards complaints will make it to this list. There is a high volume of properties that continue to be vacant with no complaints. These properties are subject to theft, vandalism, water damage, and fires.

Until the program begins and the first annual declaration is in, the City of Ottawa will not have concrete data on how many properties are vacant and subject to the residential vacant unit tax. Staff have, however, attempted to estimate the number of properties that would be vacant using various approaches and data sources. These approaches all suggest that the number of vacant properties in Ottawa that would be subject to the residential vacant unit tax based on this framework would be between 0.25% and 1.0% of the 307,000 eligible residential properties in Ottawa, equating to 760 to 3,000 vacant properties.

Assuming that 0.5% of the 307,000 eligible properties qualify for the residential vacant unit tax and factoring market increases in the assessed value, the estimated revenue in the first year would be $6.6 million, with an additional $29.4 million estimated for the following five years. In Vancouver, the properties subject to the residential vacant unit tax decreased by 22% in the first year and by 5% annually after that. This decrease aligns with the program's intended outcomes, and staff have incorporated a similar decrease in units in this estimate.

A portion of the revenues generated would be used to fund the administration of the program. The residential vacant unit tax program requires an investment in start-up costs to fund staff to develop the program, run the initial audit blitz, deal with the high number of calls from residents during the first declaration and answer questions about the new tax. In addition, these costs will include software development costs and an awareness campaign. Once the program is in place, the ongoing cost to run the program will decrease. In Ottawa, staff estimate start-up costs will be $3.5 million over 2.5 years, after which the ongoing operating costs would be $1.3 million annually.

In Vancouver, the start-up costs were $7.5 million and after that $2.5 million for the ongoing annual operating cost of running the program, which includes nine full-time equivalents (FTE’s). The City of Toronto has estimated their two-year start-up costs between $10 million and $13 million, and $5.8 million after that for the ongoing annual operating costs.

Should Council decide to proceed with the development of the residential vacant unit tax, staff will need to immediately start developing a complete policy and implementation plan to be tabled at Committee and Council as part of the 2022 Tax Policy Report in April. Three temporary staff will be required for eight months, starting in July 2021, to develop this program at a cost of $250,000. Once the program is approved, start-up costs of $3.25 million will be required for the first two years of the program. The funding will cover the start-up costs described earlier and include a base staff complement of an estimated eight FTE’s.

Once the program is running, an annual cost of approximately $1.3 million would be required to cover staffing costs, billing, printing, communication, audit and dispute resolution costs.

The below outlines a summary of staff’s preliminary estimate on total vacant unit tax and fine revenues collected, along with the program costs for the first six years. The estimate assumes a 1% residential vacant unit tax rate and 0.5% of the total eligible properties in Ottawa being subject to the residential vacant unit tax in the first year, with a gradual reduction over time with compliance.

Table 2 – Estimated Total Vacant Unit Tax Revenues and Program Costs

	Vacant Units	**Estimated Revenue ($ millions)**	**Estimated Program Costs ($ millions)**	**Net Revenue ($ millions)**
Year 0			$1.7	($1.7)
Year 1	1,500	$6.6	$1.7	$4.9
Year 2	1,176	$5.2	$1.3	$3.9

	Vacant Units	Estimated Revenue ($ millions)	Estimated Program Costs ($ millions)	Net Revenue ($ millions)
Year 3	1,119	$5.6	$1.3	$4.3
Year 4	1,063	$5.9	$1.3	$4.6
Year 5	1,010	$6.2	$1.4	$4.8
Year 6	959	$6.5	$1.4	$5.1
Total		**$36.0**	**$10.1**	**$25.9**

RURAL IMPLICATIONS

There are no rural implications associated with this report.

CONSULTATION

Discussions were also held with City departments such as Planning Infrastructure and Economic Development, Emergency and Protective Services, Community and Social Services, Innovative Client Services Department and Legal Services.

The What We Heard Report (Document 1) presents a detailed summary of the feedback gathered from all resident and stakeholder consultation activities.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a citywide report.

LEGAL IMPLICATIONS

There are no legal impediments to receiving the information in this report.

RISK MANAGEMENT IMPLICATIONS

There are no risk management implications to receiving the information in this report.

FINANCIAL IMPLICATIONS

The financial implications are outlined in the body of this report.

ACCESSIBILITY IMPACTS

There are no accessibility impacts as a result of receiving this report for information.

TERM OF COUNCIL PRIORITIES

This report supports the City's ongoing commitment to financial sustainability and transparency.

SUPPORTING DOCUMENTATION

Document 1 – What We Heard Report

DISPOSITION

Following Council approval staff will continue stakeholder consultations, develop the framework including an implementation plan and report back in 2022 through the Tax Policies Report.