



Document 1: Vacant Unit Tax What We Heard Report

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Revenue Services, Finance Services Department

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Executive Summary

Ottawa has a surplus of vacant homes. In addition to being a potential source of housing supply, vacant homes can be neglected by homeowners, become an eyesore for the community, and impact nearby property values. These properties are subject to theft, vandalism, water damage, and fires.

Implementing a residential vacant unit tax (VUT) could encourage homeowners to maintain, occupy or rent their properties while increasing the housing supply. The city is considering a VUT where homeowners who choose to have their homes remain unoccupied would be taxed. The city recognizes the importance of sustained funding for affordable housing, and the residential VUT would support affordable housing in Ottawa.

Consultations were designed to gather resident and stakeholder opinions on the VUT. This report summarizes resident and stakeholder feedback, including themes of the most common sentiments shared by respondents. Consultation activities included an online survey, written submissions and stakeholder conversations conducted between February 22 to April 15, 2021. In total, 3,540 submissions were received across all the engagement activities. Stakeholder conversations included 13 participants representing landlord associations, home builders, building managers, and real estate representatives.

The online survey was promoted through social media and an insert in the interim tax 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.

The online survey showed that a majority of respondents (77%) support the idea of a residential VUT and agree that the number of vacant homes in Ottawa negatively impacts the supply of affordable housing (70%). The majority of respondents (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. Most respondents (72%) support a tax rate of 1% or more. The majority of respondents (42%) support a property 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 VUT.

Background

According to census data, in 2016, there were 1.34 million empty and temporarily occupied homes in Canada, with more than 20,000 of these located in Ottawa. These vacant homes are a potential source of housing supply. Between 2016-2018, the Ottawa rental market grew in supply by approximately 1%, yet the population requiring rental accommodations was three times this figure. As a result, apartment 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. Since the COVID-19 pandemic, the real estate market conditions exhibit increased rental availability and lower rent prices; however, there is still much uncertainty in long-term market projections.

Homeowners can neglect vacant homes, which become an eyesore for the community and impact nearby property values. These properties are subject to theft, vandalism, water damage, and fires. Implementing a residential vacant unit tax (VUT) could encourage homeowners to maintain, occupy or rent their properties while increasing the housing supply. Creating more available units would remove some housing market pressures by increasing the vacancy rate while reducing housing costs. Homeowners that choose for their properties to remain unoccupied would be subject to a tax. The city recognizes the importance of sustained funding for affordable housing, and the residential VUT would support affordable housing in Ottawa.

In December 2020, City Council approved a motion that directed staff to study the power to impose an optional property tax on the assessment of vacant residential units and report back on the feasibility of such a tax. Consultations were designed to gather resident and stakeholder input on the proposed VUT. For the purpose of the consultations, a vacant residential unit was considered a home that has been unoccupied for 6 months.

This report summarizes resident and stakeholder feedback related to the VUT collected between February 22 to April 15, 2021.

How We Engaged

Consultations included an online survey, written submissions, and stakeholder conversations. A total of 3,540 submissions were received (Table 1). 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 or accessibility issues, alternative methods, such as written submissions and hard-copy surveys, were also available.

Table 1: Engagement Activities

Activity	Date(s)	Number of Participants
Survey	February 22 – March 31, 2021	3,479
Written submissions	February 22 – March 31, 2021	48
Stakeholder Conversations	March 15 – April 15, 2021	13
Total number of submissions		3,540

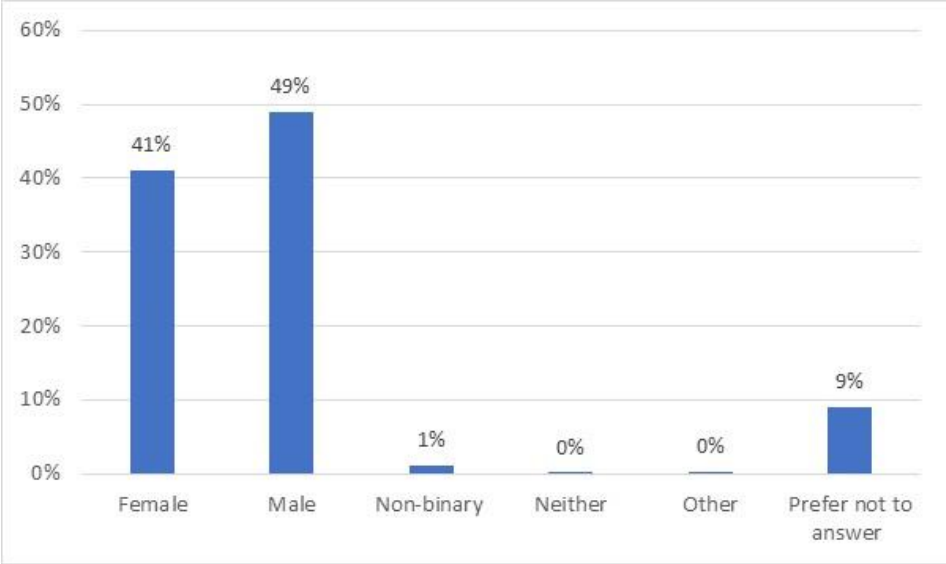
All feedback collected during the engagement period was considered in this report, and all participation is given equal weight in the analysis. Text data from written submissions, consultations and survey was themed to identify the most common sentiments. For some survey questions, respondents could select more than one option, resulting in some graphs adding up to more than 100.

Overview of Demographic Information

Basic demographic information is requested when participants register with the city’s online platform, Engage Ottawa. Registrants have the option to self-identify or select ‘prefer not to answer.’ Demographic information was collected for online survey respondents only. The city did not collect demographic data for the written submissions or the stakeholder conversations. The breakdown of responses in terms of gender identity, age, geographic distribution of survey respondents, and self-identified declaration as Indigenous people and Equity and Inclusion Lens groups are depicted in Figures 1 to Figure 4 as follows.

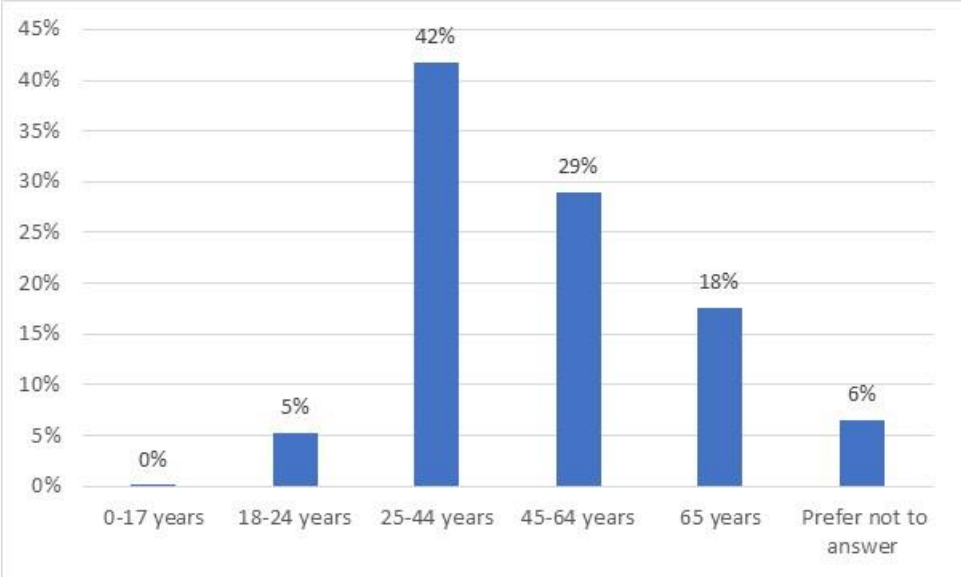
Respondents were divided between female (41%) and male (49%), and some preferred not to answer (9%). (Figure 1)

Figure 1: Gender identity demographics



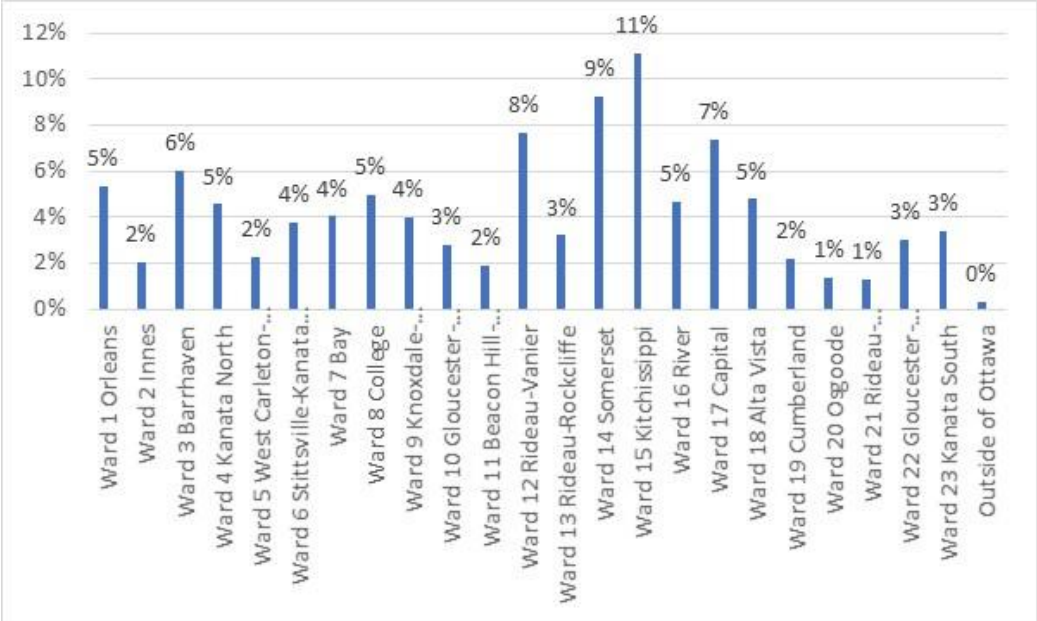
Individuals belonging to the 25-44 years age bracket accounted for 42% of responses, followed by 45-64 years (29%), 65+ years (18%), preferred not to answer (6%), and under 25 years (5%). (Figure 2)

Figure 2: Age Demographics



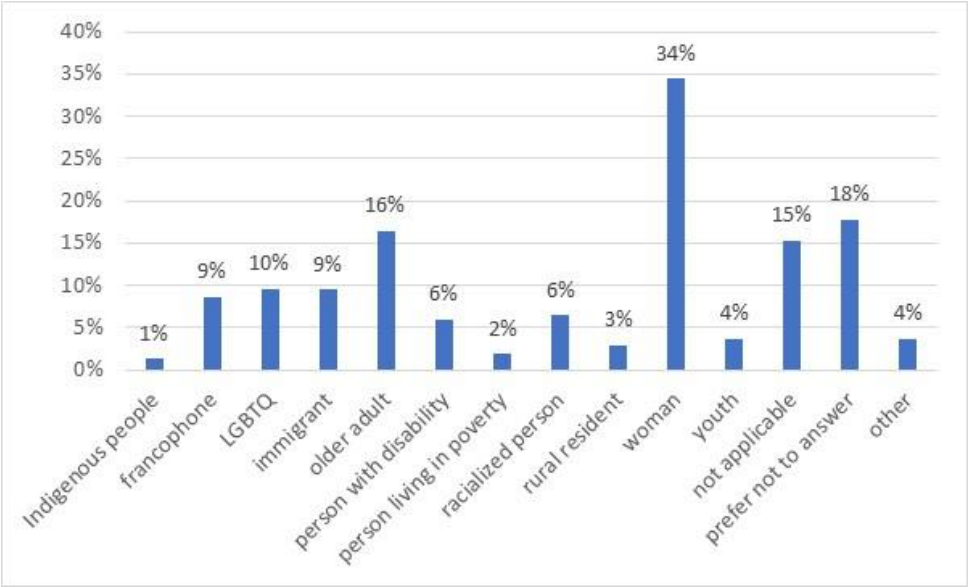
Individuals living in Ward 15 Kitchissippi accounted for 11% of responses, followed by Ward 14 Somerset (9%), Ward 12 Rideau-Vanier (8%) and Ward 17 Capital (7%). (Figure 3)

Figure 3: Ward distribution



Of the respondents who self-identified as Indigenous people and/or Equity and Inclusion Lens groups, 34% identified as women, 18% preferred not to answer, and 16% identified as an older adult (Figure 4). Respondents could select more than one option for this question, resulting in the graph adding up to more than 100.

Figure 4: Indigenous people and Equity and Inclusion Lens groups demographics

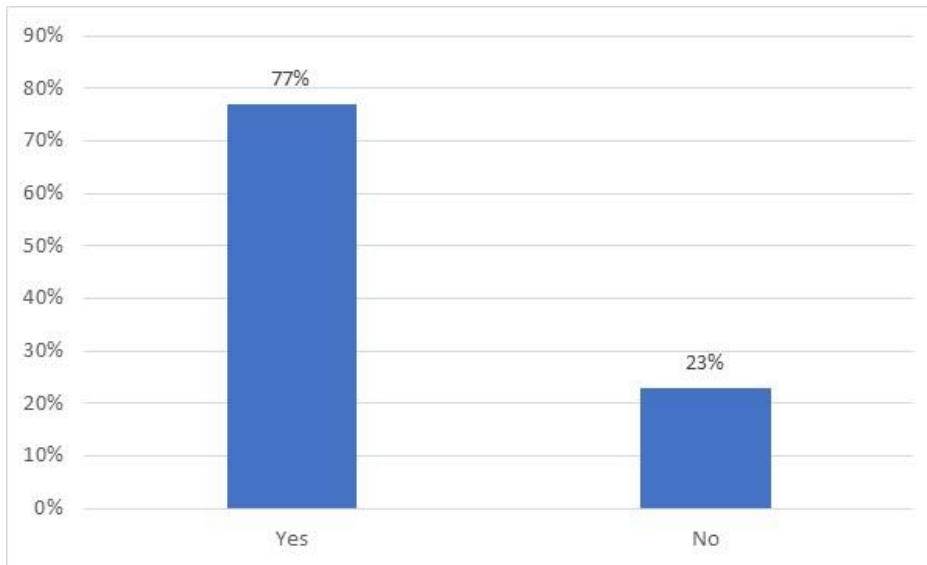


What We Heard - Survey and Written Submissions

Support for Vacant Unit Tax

Based on survey responses and written submissions, most respondents (77%) support the idea of a residential VUT. (Figure 5)

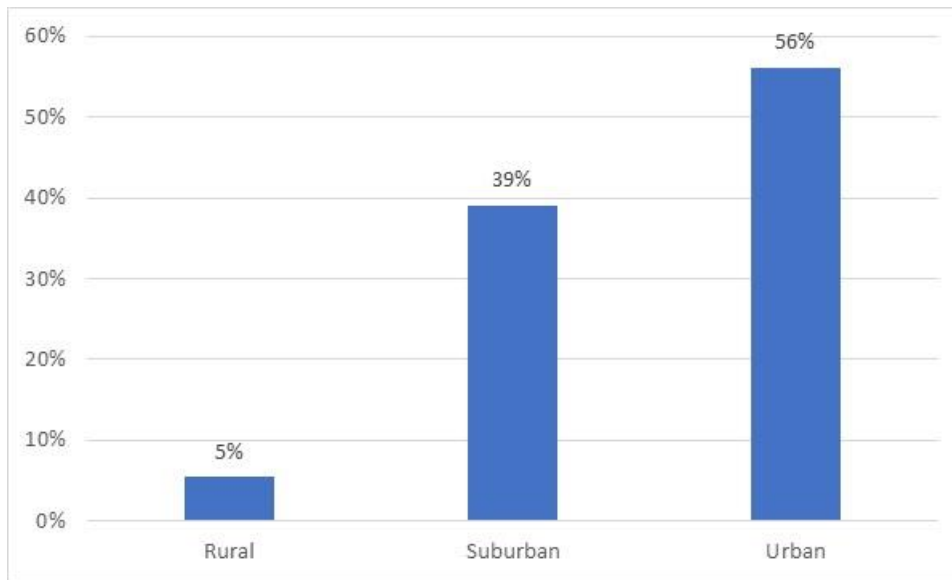
Figure 5: Support for the Vacant Unit Tax



The following graphs represent data collected through the survey. Where themed sentiments are provided, these represent input collected through both the survey and written submissions.

Respondents from all areas of the city participated in the survey, with 56% from the urban area, 39% from the suburban area, and 5% from the rural area. (Figure 6)

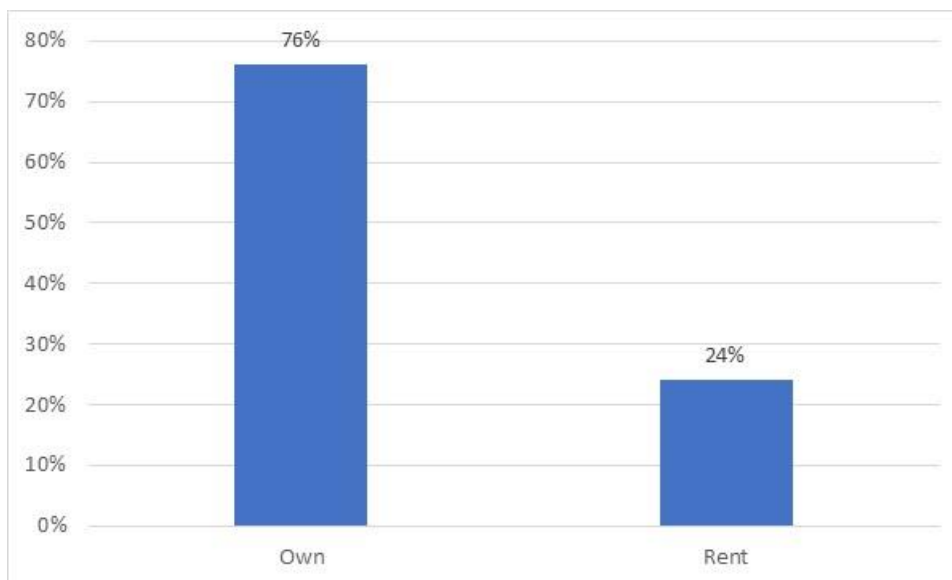
Figure 6: Urban/Suburban/Rural distribution



Urban respondents were most supportive of the VUT, with 83% favouring the tax, followed by suburban (73%) and rural (51%).

The majority of survey respondents own their principal residence (76%). (Figure 7)

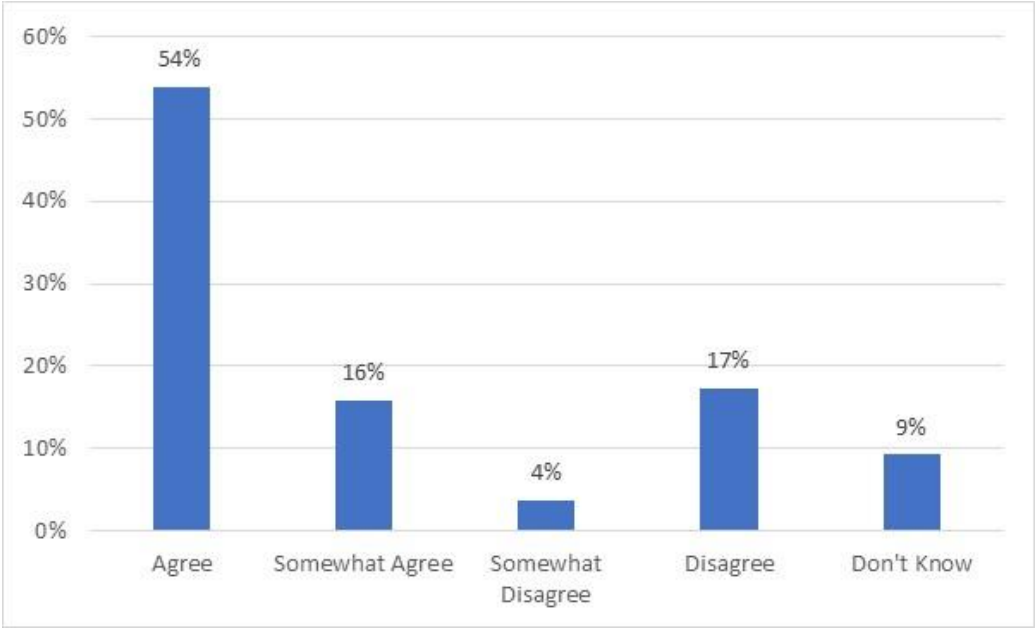
Figure 7: Home ownership



Of those respondents who own their principal residence, 72% support the VUT, while 92% of those who rent support the tax.

Seventy percent of survey respondents agree or somewhat agree that the number of vacant homes in Ottawa negatively impacts the supply of affordable housing. (Figure 8)

Figure 8: The number of vacant homes in Ottawa negatively impacts the supply of affordable housing



Methods to Identify Vacant Homes

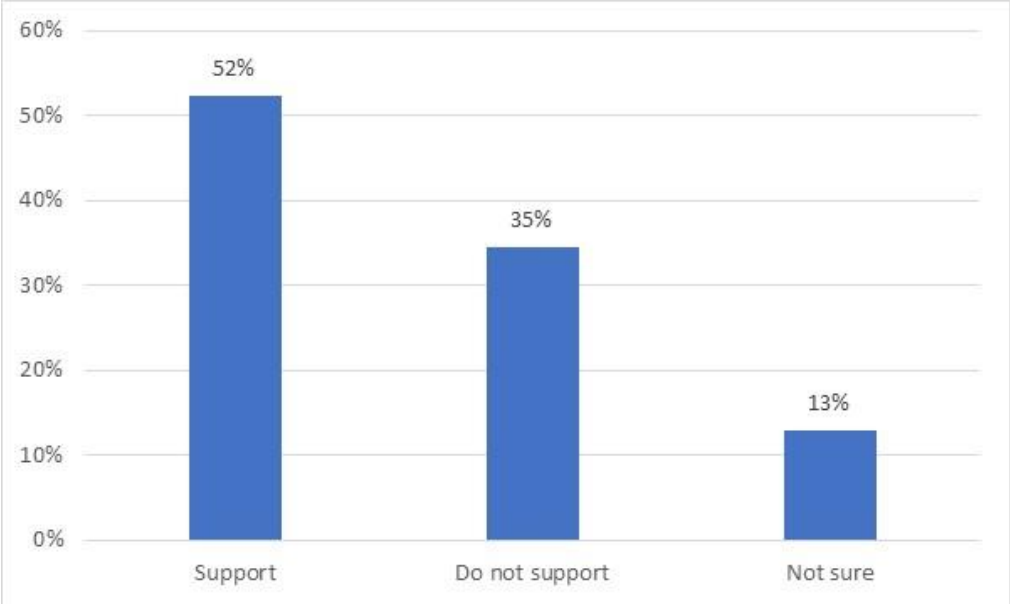
The city is considering three options to identify vacant homes. Survey respondents were asked to indicate their support level for each option and explain their responses.

Option 1: Mandatory Declaration

Definition: Every homeowner in Ottawa would be required to tell the city if their home is occupied or vacant each year. Residents who do not report their status to the city would be automatically taxed.

Fifty-two percent support the mandatory declaration option. (Figure 9)

Figure 9: Mandatory declaration of vacant units



Respondents in favour of this option identified it as an efficient method to ensure compliance. This approach would be successful with an easy process, including clear instructions and a robust public information campaign.

Of those respondents who did not support this option, the most common concerns mentioned include:

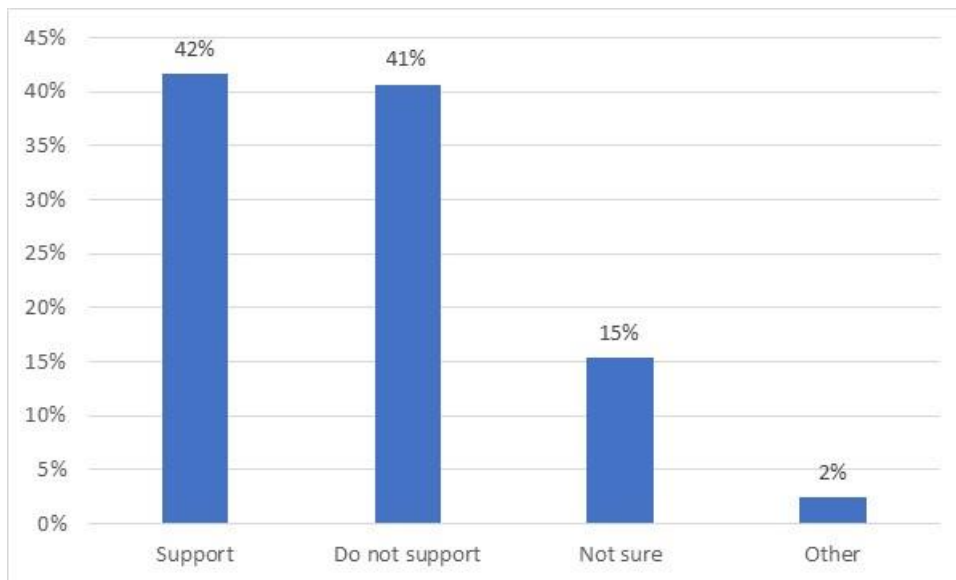
- Self-reporting could lead to fraudulent declarations.
- Mandatory declaration creates an inconvenience for owners that occupy their residence full time to declare annually.
- This is a violation of a homeowner’s rights.
- This option creates an administrative burden for City staff to administer, enforce and respond to appeals, possibly increasing cost to taxpayers.
- This option would be an unnecessary penalty for those trying to get ahead with investments in real estate
- The city should consider incentives rather than a tax.
- This is already being covered within existing taxes and by-laws.
- Could the city determine vacancy through other methods such as water or electricity usage?
- Landlords would rather pay the tax than lower their rental fees.

Option 2: Vacant Unit Declaration

Definition: 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.

Support for the vacant unit declaration option was divided, with 42% of respondents supporting this option and 41% not supportive. (Figure 10)

Figure 10: Vacant unit declaration



Those supporting vacant unit declaration acknowledged that this option places the onus on those homeowners with a vacant unit to declare and removes the undue burden for homeowners who do not own vacant units. There was strong support for a penalty for those who do not self-declare. An easy-to-use process and a robust promotional campaign would help ensure the success of this option.

Of those respondents who did not support this option, many suggest that the voluntary approach allows homeowners to avoid declaration, leading to under-reporting. The city will have difficulty determining which properties are vacant, leading to higher administration, promotion, and enforcement costs. This option was seen as more confusing for homeowners and more challenging to encourage participation.

Respondents suggested that the VUT is not required for vacant properties that are well maintained. Vacancy is often related to the housing rental/sales market, which is not within the landlord's control. An additional tax or fines will be passed on to the tenant through increased rent or sale price. This would disproportionately impact those living

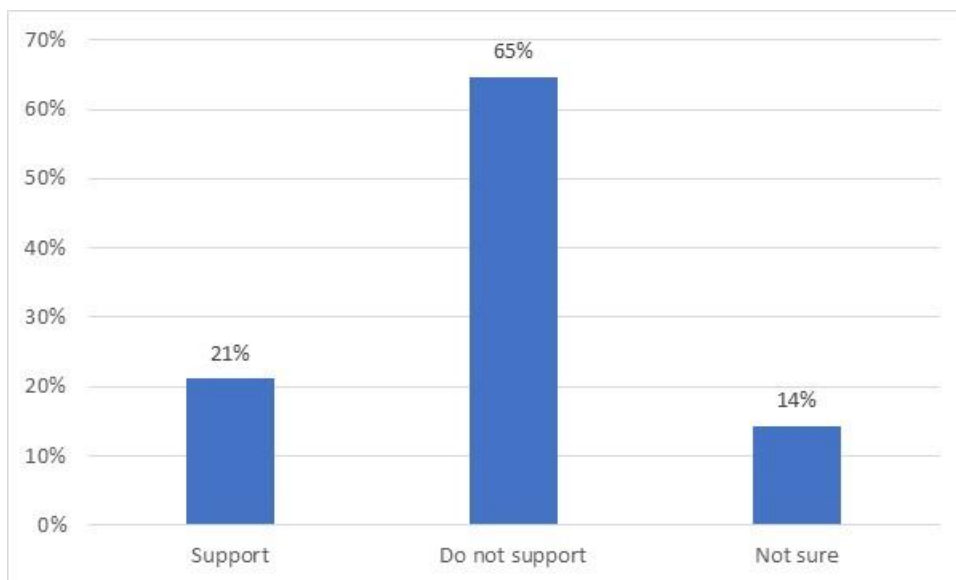
in poverty. Respondents recommended that the city consider other ways to determine if a home is vacant, i.e. water/electricity usage.

Option 3: Complaint-Based Enforcement

Definition: The City would only be able to identify a vacant property if they are notified through a complaint to By-Law Services.

The majority of respondents (65%) do not support this option. (Figure 11)

Figure 11: Complaint-based enforcement



Of those respondents supporting this option, many identified that community members are well informed of the vacancy of units in their neighbourhood. There is a benefit to neighbours to report vacant units so that more units can be returned to the housing market and property maintenance would improve. There was strong support for complaint-based enforcement to be used in conjunction with either option one or two as described above, rather than a stand-alone approach.

Of those respondents who did not support this option, it was commonly considered a less effective approach to identifying vacant units. Many respondents do not encourage citizen complaints against their neighbours, as this does not inspire a supportive community environment. This approach could create unease in the community or fear of retaliation. There is also concern that this approach would disproportionately impact racialized residents and those living on a low income. This option would require a higher level of administration to support enforcement and inspections. This option puts the onus on a 3rd party (neutral residents) to report, rather than placing the burden on

the involved owner. Respondents recommended that the city consider other ways to determine if a home is vacant, such as water/electricity usage. Community members would not be aware of a property is subject to an exception under the VUT; therefore, By-law staff would respond unnecessarily to many calls.

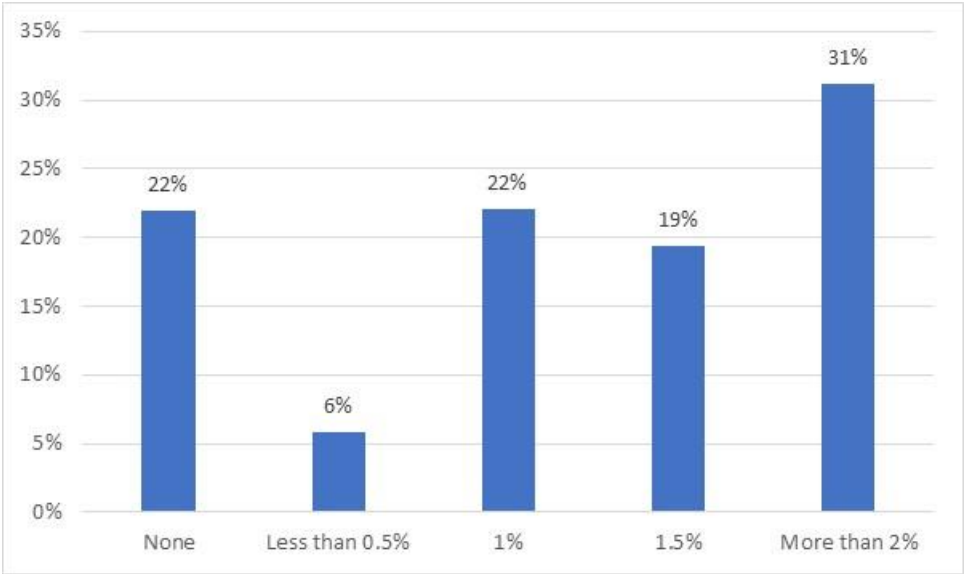
Rate of Tax

Survey respondents were asked what tax rate should be applied if the City of Ottawa was to implement a residential VUT. For illustration purposes, the following example was provided based on a property with a \$500,000 assessment:

- None; I don't think the city should tax vacant homes
- Less than 0.5% of the assessed property value (\$2,500 for a home assessed at \$500,000)
- 1% of the assessed property value (\$5,000 for a home assessed at \$500,000)
- 1.5% of the assessed property value (\$7,500 for a home assessed at \$500,000)
- More than 2% of the assessed property value (\$10,000 or more for a home assessed at \$500,000)

The majority of respondents (31%) support a tax rate of more than 2%, followed by 1% tax rate (22%), no tax (22%), 1.5% tax rate (19%) and less than 0.5% tax rate (6%). (Figure 12)

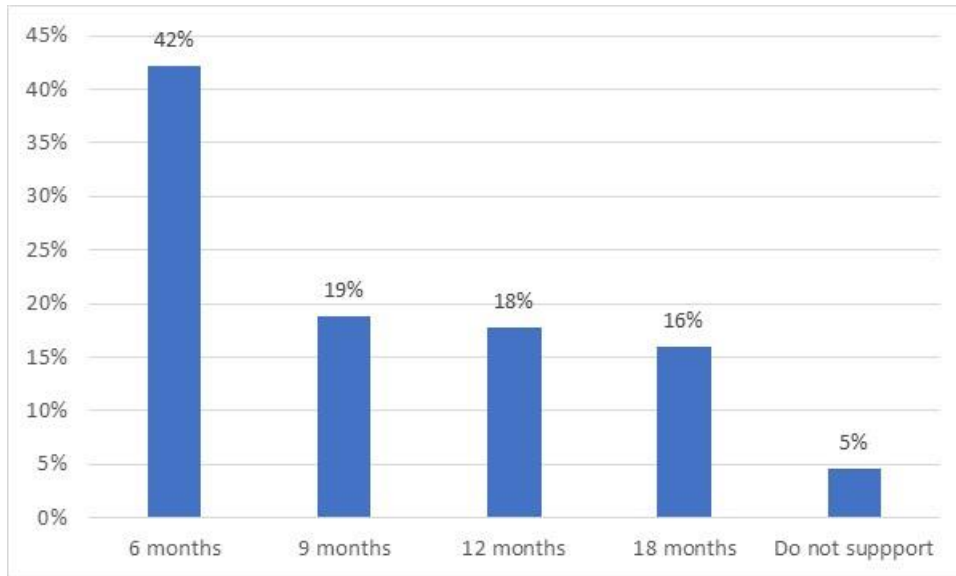
Figure 12: Rate of Tax



Definition of Vacant Unit

Survey respondents were asked their opinion of how long a property should be unoccupied to be considered vacant under the VUT. The majority of respondents (42%) support a property to be unoccupied for six months before it is declared as vacant, followed by nine months (19%), 12 months (18%), 18 months (16%), and five percent do not support a tax. (Figure 13)

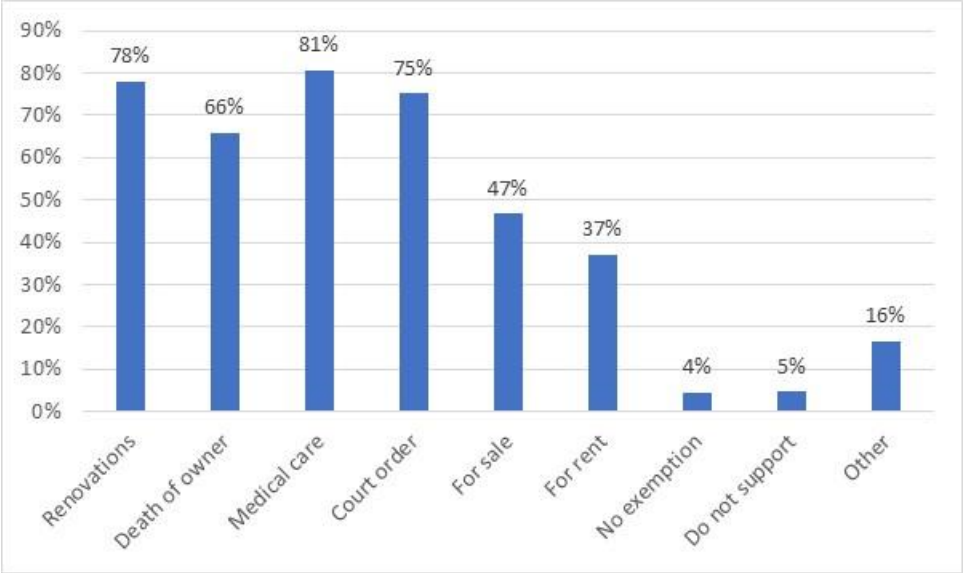
Figure 13: Definition of Vacant Unit



Exemptions to the Vacant Unit Tax

The city may grant exemptions for vacant properties if they meet specific criteria. Respondents were asked to select which exemptions to the VUT they support. (Figure 14). Survey respondents could select more than one option for this question, resulting in the graph adding up to more than 100.

Figure 14: Exemptions



The most popular options for exemptions were as follows:

1. A residential property that is vacant because the occupant was residing in a healthcare facility for medical care (81%)
2. A residential property that is undergoing renovations and has the appropriate building permits (78%)
3. A residential property that is vacant because it is under a court order prohibiting the owner from selling, occupying, or renting the property (75%)
4. A residential property that is vacant due to the death of the owner(s) (66%)
5. A residential property that has been listed for sale and unoccupied during this time (47%)
6. A residential property that has been listed for rent and unoccupied during this time (37%)
7. Other exemptions (16%). Other exemptions suggested by participants included:
 - New construction
 - Occupant or owner residing in long term care
8. There should be no exemptions to the VUT (5%)
9. The city should not tax vacant homes (4%)

What We Heard - Stakeholder Feedback

Three stakeholder conversations with 13 participants included representatives from the Ottawa Real Estate Board, Greater Ottawa Home Builders Association, and Ottawa Small Landlord Association. Written submissions received from stakeholders were also considered in this report. A summary of the feedback provided by stakeholders is presented below.

General comments from stakeholders related to the proposed VUT include:

- There is support to increase affordable housing units in Ottawa; however, it is unclear whether the VUT will meet this objective.
- The housing market, including vacancy rates, is fluid and shifts over time. For example, real estate market conditions exhibit increased rental availability since the beginning of the COVID-19 pandemic. The city is encouraged to observe how market conditions unfold over the next year before considering a VUT.
- A vacancy tax is meant to change the behaviours of property owners; it is not meant to be used as a revenue collection source. The more revenue a city collects from this tax, the less successful the program is.
- The 2016 Stats Canada report currently being used by the city to determine the need for the VUT should be updated before any decision-making. Further research is required to determine the current vacancy rates, the geographic distribution of vacant units and price to determine if this tax benefits affordable housing in Ottawa.
- The city is encouraged to complete a one-time declaration survey to determine if there is a vacant housing crisis and if a VUT would be an effective solution.
- The tax may not have the intended impact since some landlords may pay the tax as a cost of doing business or sell their unit instead of paying the tax, thereby removing it from the rental market.
- The city should consider creating an advisory team with industry experts and academic institutions to research, develop and implement a potential tax.
- Small landlords are most affected and may be forced to exit the rental housing business.
- The VUT could discourage foreign speculators from investing in local projects.
- Other options should be explored to increase the supply of affordable housing, such as expediting the planning approval process and reducing the costs associated with inspections, permits and approvals.

Stakeholders provided the following feedback related to the definition of a vacant unit:

- The city must determine if the VUT definition is consecutive months or cumulative.
- Often, a property purchased to redevelop is considered un-rentable or uninhabitable, and this situation can extend well beyond the 6-month grace

window being considered in the exemptions list. Innovative approaches are encouraged, including the city granting a demolition permit before a building permit is issued to avoid more complicated arrangements.

- Many vacancies are due to lengthy delays at the Landlord and Tenant Board. The city is encouraged to urge the provincial government to immediately repair Ontario's Landlord and Tenant Board. The VUT should be delayed until the Landlord and Tenant Board's service delivery standards improve.
- When assembling multiple adjacent properties to develop a bigger project on the combined lot, there are often cases when one property is vacant and another is still occupied. The developer (for a multitude of reasons) wishes or needs to retain maximum flexibility for the site by not renting out the vacant property in the interim before the project can start. An innovative solution could allow for the owner to sign a declaration to ensure that a vacant unit is being kept vacant temporarily with the full intention to develop the property.
- When converting a rental building into a condominium, some individual units may remain vacant for an extended period while the status of other units is resolved and/or the rental agreement expires.
- Properties designated under the Ontario Heritage Act or are on the City's Heritage Register have significantly more regulatory hurdles to overcome to renovate or redevelop. This process may mean that the building is vacant for an extended period as its status or permissions are finalized.

The following feedback was received from stakeholders on the three options being considered to identify vacant homes:

- The city requires an audit process to verify declarations.
- There is concern that owners will not declare truthfully.
- The city will have administration, promotion, and enforcement costs.
- All options should be considered together as one comprehensive package.

Stakeholders provided the following additional suggestions for exemptions:

- U.S. citizens
- Snowbirds
- Employment abroad, including labour mobility between provinces
- Owners who are unable to rent the property due to market conditions
- Small landlords who have submitted eviction applications to the Landlord and Tenant Board
- Accessory units such as basement apartments and granny suites
- Principal residences
- Properties undergoing ownership changes during the calendar year
- Properties that are deemed uninhabitable
- Properties being held for assembly

- Converting for-purpose rentals into condominium units
- Properties being assessed for, or with, heritage status
- A full review of the issues and reasons residential units may be temporarily vacant is necessary to ensure the appropriate exemptions are in place.

Appendix A – Vacant Unit Tax Survey Questions

1. Where do you currently reside in the City of Ottawa?
 - Rural Area
 - Suburban Area
 - Urban Area
2. Do you own or rent your principal residence (whether it is a house, apartment, condominium, or any other place you call “home”)?
 - I own the home I live in
 - I rent the home I live in
3. Cities around the world are looking for ways to make housing more affordable. Some have started to tax vacant homes (unoccupied houses, apartments, or condominiums), encouraging owners to sell them or rent them out.

Do you support the idea of a residential VUT?

- Yes
 - No
4. Do you think the number of vacant homes in Ottawa is negatively impacting the supply of affordable housing?
 - Agree
 - Somewhat Agree
 - Somewhat Disagree
 - Disagree
 - Don't know
 5. The city is considering three options to identify vacant homes. For each option, please let us know your level of support.

Mandatory Declaration: Every homeowner in Ottawa would be required to tell the city if their home is occupied or vacant each year. Residents who do not report their status to the city would be automatically taxed.

- I support this approach
 - I do not support this approach
 - I am not sure
6. Why do you feel this way?

7. **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.

- I support this approach
- I do not support this approach
- I am not sure

8. Why do you feel this way?

9. **Complaint-Based Enforcement:** The City would only be able to identify a vacant property if they are notified through a complaint to By-Law Services

- I support this approach
- I do not support this approach
- I am not sure

10. Why do you feel this way?

11. Cities around the world are reviewing and implementing similar taxes. The City of Vancouver's Empty Homes Tax (RHT) is 1.25% of the assessed property value. The City of Toronto is considering a residential VUT of 1.00% of the assessed property value.

If the City of Ottawa was to implement a residential VUT, what rate of tax should be applied? (For illustration purposes, assume a property with a \$500,000 assessment).

- None; I don't think the city should tax vacant homes
- Less than 0.5% of the assess property value (\$2,500 for a home assessed at \$500,000)
- 1% of the assessed property value (\$5,000 for a home assessed at \$500,000)
- 1.5% of the assessed property value (\$7,500 for a home assessed at \$500,000)
- More than 2% of the assessed property value (\$10,000 or more for a home assessed at \$500,000)

12. How long should a property be unoccupied to be considered vacant, for the purpose of applying the residential VUT?

- Six consecutive months
- Nine consecutive months
- Twelve consecutive months
- Eighteen consecutive months
- N/A: I don't think the city should tax vacant homes

13. The city may grant exemptions for vacant properties if they meet specific criteria. Select which exemptions to the residential VUT that you support. (These proposed exemptions are not exhaustive nor final). (multiple selections allowed)
- A residential property that is undergoing renovations and has the appropriate building permits
 - A residential property that is vacant due to the death of the owner(s)
 - A residential property that is vacant because the occupant was residing in a healthcare facility for medical care
 - A residential property that is vacant because it is under a court order prohibiting the owner from selling, occupying, or renting the property
 - A residential property that has been listed for sale and unoccupied during this time
 - A residential property that has been listed for rent and unoccupied during this time
 - There should be no exemptions to the VUT
 - N/A: I don't think the city should tax vacant homes
 - Other exemptions (please specify)