

Document 1 – Review of Public Policy Initiatives

Affordable housing has been identified as an urgent priority by all levels of government with many initiatives being undertaken or recommended to help address the issue. Outlined below are some of the other initiatives that were considered when developing the Vacant Unit Tax Framework for Ottawa and other considerations brought forward by stakeholders.

The Prime Minister's mandate letter to the Minister of Housing and Diversity and Inclusion

On December 16, 2021, the letter to the Minister indicated a strong mandate to support affordable housing. The letter proposed a Fairness in Real Estate Action Plan. Some of the initiatives include:

- Amendments to the *Income Tax Act* to require landlords to disclose in their tax filings the rent they receive pre-and post-renovation and to pay a proportional surtax if the increase in rent is excessive.
- An anti-flipping tax on residential properties, requiring properties to be held for at least 12 months.
- A temporary ban on foreign buyers of non-recreational residential property in the Canadian housing market so that housing does not sit vacant and unavailable to Canadians.
- Reviewing the down payment requirements for investment properties.
- Preventing "renovictions"

Canada Mortgage and Housing Corporation (CMHC) recommendation on housing surtax

With housing prices increasing, CMHC backed a report by Generation Squeeze that suggests a progressive surtax on homes valued at over \$1 million. The surtax would start at 0.2% and peak at 1% and would be payable when the home is sold or inherited. House prices continue to rise, and costs are often downloaded to tenants, so measures that attempt to control prices may be seen as helpful for affordability. This has not yet been approved and is in the initial stages.

Federal Underused Housing Tax (UHT) on Foreign Buyers

Similar to the VUT, the UHT is a 1% tax on the value of a property. The UHT applies to foreign ownership and is being considered to curb foreign speculators. While the VUT and UHT could apply to a property in Ottawa, foreign speculation is not generally seen as highly problematic in Ottawa when compared to Toronto and Vancouver. The combined rate of approximately 2% of the property's value is still less than Vancouver's current Empty Home Tax rate of 3%. The federal legislation to enable the UHT is included in Bill C-8, which received its first reading on December 15, 2021. The new annual tax applies beginning on January 1, 2022, and certain residential property owners in Canada will be required to file UHT returns for the 2022 calendar year by April 30, 2023.

Ontario's affordable housing taskforce

On December 6, 2021, the Ontario government created an affordable housing task force. Many specific measures have not yet been defined, but the mandate of the Housing Affordability Task Force is to explore measures to address housing affordability by:

- Increasing the supply of market-rate rental and ownership housing.
- Building housing supply in complete communities;
- Reducing red tape and accelerating timelines;
- Encouraging innovation and digital modernization, such as in planning processes;
- Supporting economic recovery and job creation; and
- Balancing housing needs with protecting the environment.

On January 19, 2022, the Premier's office announced more than \$45 million available to Ontario's 39 largest municipalities to streamline, modernize, and accelerate processes for managing and approving housing applications.

Vacant Building Strategy

City of Ottawa By-law Services is concurrently revamping their Vacant Building Strategy where a permitting system for residential and non-residential vacant buildings is being

considered. The strategy aims to improve property identification and information management, increase accountability for property owners, and prevent the degradation of vacant buildings and lots. This strategy focuses on the maintenance and upkeep of all buildings and lots in the City of Ottawa while the VUT is primarily focused on residential units that should be made available for rent.

Revenue Services has consulted with Bylaw Services to ensure a good understanding of the goals and objectives of each initiative and find opportunities for collaboration where possible. The VUT team is collaborating with Bylaw Services to develop a clear communication strategy for the public. Each program is being designed to ensure strong compliance and low administrative cost to the taxpayer.

Short-Term Rental (STR) By-law

The Short-Term Rental By-law was reviewed as part of the development process for Vacant Unit Tax framework. First, the definition of principal residence was used to provide consistency across by-laws. Second, there was a mutual interest in defining a cottage property. Ottawa has a unique mix of rural and urban properties that Vancouver and Toronto do not have to consider for their respective vacant home programs. It was important to consider this distinction in applying a tax that was fair and equitable.

The STR By-law attempts to reduce nuisance complaints and better manage the short-term rental market. In terms of protecting housing inventory for Ottawa residents, the by-law restricts properties in urban, suburban and village areas from renting short-term unless it is their principal residence. There is no such restriction in rural zones (Rural Residential, Rural Countryside, Agricultural, Rural Commercial). Such properties would be defined separately as cottage rentals in the STR bylaw, and, for the purpose of the VUT, we've considered an exemption for this purpose. The exemption specifically addresses the fact that rural properties used for short-term rentals were previously determined to be excluded from the housing supply. It also avoids double-taxation between the MAT and the VUT.

Municipal Accommodation Tax (MAT)

The MAT is a tax collected on short-term rentals in Ottawa that came into effect on January 1, 2018. Each property owner who rents out their property for short-term stays of less than 30 days must charge and remit a 4% tax on the accommodations cost. This is an example of a measure previously taken to address some affordability concerns by regulating short-term rentals and hopefully creating new long-term ones.

Other Canadian Municipalities onboarding a Vacant Unit Tax

Vancouver, Toronto and Hamilton have been instrumental in developing the VUT in Ottawa. Vancouver has several years of history and experience to draw on, and Toronto is implementing its vacant home tax and has tabled many of the same program designs. We have had the opportunity to discuss, debate, and analyze various components to develop the best program design for Ottawa. Staff have also engaged Hamilton on their proposed design since Ottawa's property demographics align better with Hamilton than Vancouver or Toronto. Through the collaboration with other Municipalities, Staff have developed a network of key contacts that will continue to help refine the program into the implementation phase. Furthermore, there will be continued discussions on best practices and opportunities to review the program as needed.