

# VACANT HOMES TAX TO SUPPORT AFFORDABLE HOUSING

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Housing Affordability Task Force  
October 7, 2021



# OUTLINE

Purpose: to provide information on Vacant Homes Tax

- Background
- Interjurisdictional Scan
- Regional Implications
- Next Steps





# THE VACANT UNIT (HOMES) TAX WAS ONE OF THE 16 INITIATIVES UNDER THE PROVINCE'S FAIR HOUSING PLAN IN 2017

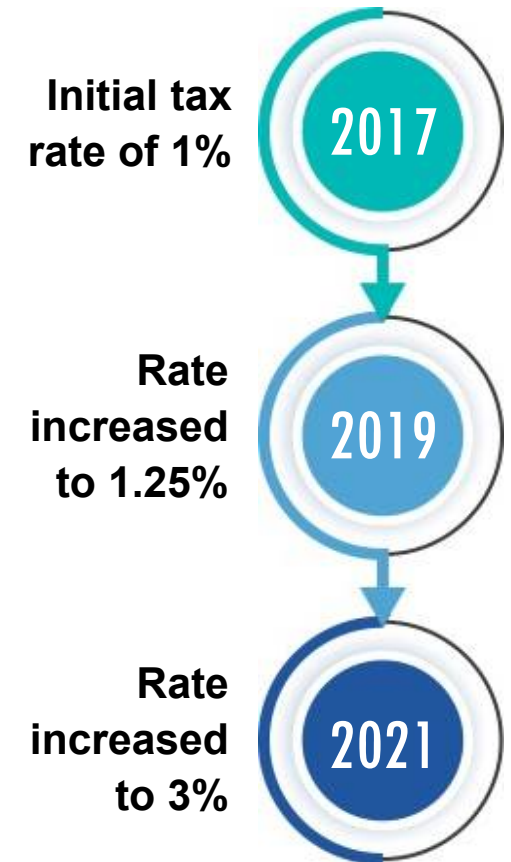
- Purpose is to improve the availability of rental units in the secondary market
- “Designation” through regulations by the Minister of Finance is required to levy the Tax
- Usage of the Tax is not prescribed by the legislation
- Upper-tier municipalities may implement the Tax in select local municipalities



# CITY OF VANCOUVER HAS LEVIED A VACANT HOMES TAX SINCE JANUARY 2017

SINCE THE  
IMPLEMENTATION OF  
THE TAX, THE  
NUMBER OF VACANT  
HOMES HAS DROPPED  
BY 25%

AS OF 2020, \$61.3  
MILLION OF NET  
REVENUES HAVE BEEN  
USED TO SUPPORT  
AFFORDABLE  
HOUSING



# IT IS EXPECTED THAT OTTAWA AND TORONTO WILL BEGIN LEVYING A VACANT HOMES TAX IN 2022



## OTTAWA

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- June 2021 – Council approved implementation plan for Vacant Homes Tax
- Proposed rate of 1% - effective 2022
- Estimated revenues - \$6.6M (1<sup>st</sup> year)
- Start-up costs over 2.5 yrs. - \$3.5M
- Ongoing annual operating costs - \$1.3M
- Staff to undertake further consultation and report back in April 2022
- Net revenue to potentially support affordable housing



## TORONTO

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- July 2021 – Council approved implementation plan for Vacant Homes Tax
- Proposed rate of 1% - effective Jan. 1, 2022
- Estimated revenues - \$55M to \$66M (1<sup>st</sup> year)
- Start-up costs over 2 yrs. - \$10M and \$13M
- Ongoing annual operating costs - \$5.8M
- Staff to undertake further stakeholder consultation and report back in Q4-2021
- Net revenue to potentially support affordable housing

# MANY OTHER ONTARIO MUNICIPALITIES HAVE EITHER REPORTED ON, OR INTEND TO REPORT ON, A VACANT HOMES TAX



Hamilton



Israel, the United Kingdom, Paris and Melbourne have all instituted forms of this tax in the past

# SEVERAL FACTORS COULD IMPACT THE REVENUE POTENTIAL OF THIS TAX



## EXTERNAL FACTORS

- Assessment value of vacant properties
- Vacancy rates in the Region



## PROGRAM DESIGN

- Vacant Homes Tax rates
- How vacancy is defined
- How vacancy is identified
- Whether the tax is implemented Region-wide
- How the revenues are shared with local municipalities

**A VACANT HOMES TAX WOULD LIKELY BE A DECLINING SOURCE OF REVENUE, AS HOMEOWNERS ARE EXPECTED TO OCCUPY, OR RENT OUT, THEIR HOMES TO AVOID THE TAX**

# THE TAX COULD GENERATE ABOUT \$15M TO \$90M IN ITS FIRST YEAR

## ESTIMATED TAX REVENUES

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

## ESTIMATED INITIAL COSTS:

- Consultant procurement: Estimated \$100-\$150K

## ESTIMATED IMPLEMENTATION COSTS:

- Start up costs: TBD (\$3.5 million in Ottawa; \$10-13 million in Toronto)
- Annual operating costs: TBD



# A VACANT HOMES TAX COULD INCENTIVIZE HOMEOWNERS TO OCCUPY OR RENT OUT THE UNIT TO AVOID THE TAX



2021 AVERAGE HOME VALUE IN YORK REGION: \$802,000

PROPERTY TAX ON AN OCCUPIED HOME: \$5,509

TOTAL TAX ON A VACANT HOME:

PROPERTY TAX: \$5,509

1-2% VACANT HOMES TAX: \$8,020 – 16,040

TOTAL TAX: \$13,529 - \$21,549

# FOR THE REGION TO LEVY A VACANT HOMES TAX, IT WOULD LIKELY BE FOR THE 2023 TAXATION YEAR



**\*Note:** Timeline is hypothetical and is used purely for illustrative purposes

THE FINAL DECISION TO DESIGNATE IS NOT GUARANTEED

# POTENTIAL IMPACT ON LOCAL MUNICIPALITIES

- Local municipalities are key partners in addressing housing affordability
- Collaboration with local municipalities will be key to develop a framework for administration and revenue sharing



# NEXT STEPS

A joint report from Finance/Long Range Planning/Community and Health Services will be brought forward to Council in October to seek direction:

- Desire to continue exploring the use of this Tax in the Region
- Use of net revenues to support affordable housing





Thank  
you



  
**York Region**