



INFORMATION REPORT

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	July 5, 2021
SUBJECT/REPORT NO:	Considerations to Implement a Vacant Home Tax in Hamilton (FCS21017(a) / PED21114) (City Wide) (Outstanding Business List Item)
WARD(S) AFFECTED:	City Wide
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SUBMITTED BY: SIGNATURE:	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
SUBMITTED BY: SIGNATURE:	Ken Leendertse Director, Licensing and By-law Services Planning and Economic Development Department

COUNCIL DIRECTION

On February 25, 2021, at the General Issues Committee, Council approved the following Motion (Item f(i) of General Issues Committee Report (Budget) 21-002(j)):

“That staff be directed to prepare a report respecting a Vacant Homes Tax as it relates to Hamilton's Housing market, fees collected from Municipal Law Enforcement vacant lands registry, the status of assessing vacant residential properties as well as how the municipality assesses those properties (with Metrolinx properties removed), and the success of this tax as a mechanism to identifying vacant homes, and report back with a breakdown by Ward to the General Issues Committee by June 16, 2021.”

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

INFORMATION

At the General Issues Committee meeting of February 25, 2021, Council discussed Report FCS21017 “Considerations to Implement a Vacant Home Tax in Hamilton” which presented information on the implications of imposing a vacant home tax in the City of Hamilton.

A tax on vacant residential properties is designed primarily as a housing tool rather than a revenue tool. The main objective of implementing a Vacant Home Tax (VHT) is to encourage owners to rent out empty properties in order to increase the supply and affordability of housing. However, identifying vacant units is the most challenging piece for the implementation of the VHT.

Therefore, following Council direction, Report FCS21017(a) / PED2114 provides information on using the Hamilton Vacant Building Registry as a means to identify vacant homes. It also includes information on the Hamilton Rental Market and the success of the Empty Homes Tax (EHT) in Vancouver, which is the only jurisdiction in Canada that levies a similar tax, which Vancouver implemented in 2017. The City of Toronto, on December 16, 2020, approved an implementation plan to introduce a new tax on vacant homes starting in 2022. The City of Ottawa approved the implementation of the “Residential Vacant Unit Tax” on June 9, 2021. Details on Toronto’s Vacant Home Tax were included in Report FCS21017 and details on Ottawa’s Residential Vacant Unit Tax are outlined on page 7 of Report FCS21017(a) / PED21114.

As Report FCS21017(a) / PED21114 addresses the issue as noted on the Outstanding Business List of the General Issues Committee it is appropriate to be deemed complete and removed from the List.

Hamilton Vacant Building Registry

On October 13, 2010, Council enacted the Vacant Building Registry By-law No. 10-260 to regulate vacant buildings in the City of Hamilton. A review of the By-law in 2017 identified several matters requiring updating and improvement. On June 28, 2017, By-law 10-260 was repealed by Council and replaced with the current Vacant Building Registry By-law No. 17-127.

The Vacant Building Registry By-law No. 17-127 makes it mandatory for all property owners to register their properties with the City if it is vacant and works collectively with the Hamilton Property Standards By-law No. 10-221. The Property Standards By-law establishes the minimum standards for the repair and maintenance of vacant and / or damaged buildings, including Designated Heritage properties.

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If a property owner fails to register their property under the Vacant Building Registry By-law or fails to maintain the property, the City's officer can use various tools to resolve the violation which may include:

- Assess a fee for inspection cost that would be added to the property taxes;
- Register an Order on title;
- Issue Administrative Penalty System (APS) tickets or initiate court action; and
- Send a contractor to complete the required work with the costs added to the property taxes as a priority lien

The Progressive Enforcement Policy established by Licensing and Bylaw Services (LBS) is a fair, effective and efficient enforcement tool to compel voluntary compliance, commencing with an administrative penalty of \$300, which can escalate to fines in Provincial Offences Court as high as \$50,000 for an individual and \$100,000 for a defendant corporation.

The cost of registration is \$297 with a yearly cost for inspections of \$840. For properties that fail or refuse to register at least four proactive inspections are completed on the property annually with additional fees for service (FFS) in the amount of \$1,348, plus appropriate fines.

Vacant buildings are identified through public complaints and the proactive efforts of Municipal Law Enforcement, Building Services and Fire Prevention staff continually monitoring vacant buildings. A procedure and subsequent standardized form have been established where each Division can notify each other as they are made aware of any new vacant / derelict buildings (i.e. house fire, routine inspections). This collaborative effort ensures that the information is shared in an efficient and consistent manner.

There are currently 325 active vacant buildings with 221 active residential VBs being monitored by Municipal Law Enforcement under the Vacant Building Registry By-law. Once buildings are occupied or demolished, they are removed from the list and the related files are closed. Table 1 indicates the number of current and past vacant buildings since the original Vacant Building Registry By-law came into effect in 2010.

**Table 1
Vacant Building Registry 2010 – 2021**

Current Status	Total
New	2
Registered	176
Unregistered	149
Closed	2,094

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The Vacant Building program is full cost recovery with two officers assigned to monitor and manage the Vacant Building Registry. However, current costs are reduced with the redeployment of enforcement staff during the pandemic. Table 2 compares the revenue versus expenses of the current Vacant Building program.

**Table 2
Vacant Building Registry – Expenses, Revenue and Net**

	2017	2018	2019	2020	2021
Fee for Services Charges	\$108,765	\$134,706	\$81,389	\$17,525	\$7,751
Registration / Renewal Payments	\$125,652	\$182,304	\$158,029	\$172,081	\$8,844
Officer Wages and Expenses	(\$123,060)	(\$189,359)	(\$193,859)	(\$212,632)	N/A

Net Profit/(Loss) \$ 113,374 \$ 129,669 \$ 47,578 \$ (21,006) TBD

Table 3 indicates the current status of all Vacant Building Files from all years (2010 to present) by Ward (**Excluding Metrolinx Properties).

**Table 3
Vacant Buildings by Ward (2010 – 2021)
All Property Categories**

	New	Registered	Unregistered	Closed	Total
Ward 1		23	10	122	155
Ward 2	1	16	14	215	246
Ward 3		31	51	639	721
Ward 4		9	6	225	240
Ward 5		7	4	77	88
Ward 6		4	3	46	53
Ward 7		5	7	68	80
Ward 8		8	5	84	97
Ward 9		6	11	73	90
Ward 10		13	5	141	159
Ward 11		16	16	79	111
Ward 12		17	8	92	117
Ward 13		9	3	61	73
Ward 14		4	1	60	65
Ward 15		4	2	33	39
Ward Unknown	1	4	3	79	87
Total	2	176	149	2,094	

Total Vacant Building Files = 2,468

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Tables 4 and 5 below present additional information on the vacant buildings (VB) by year and category.

Table 4

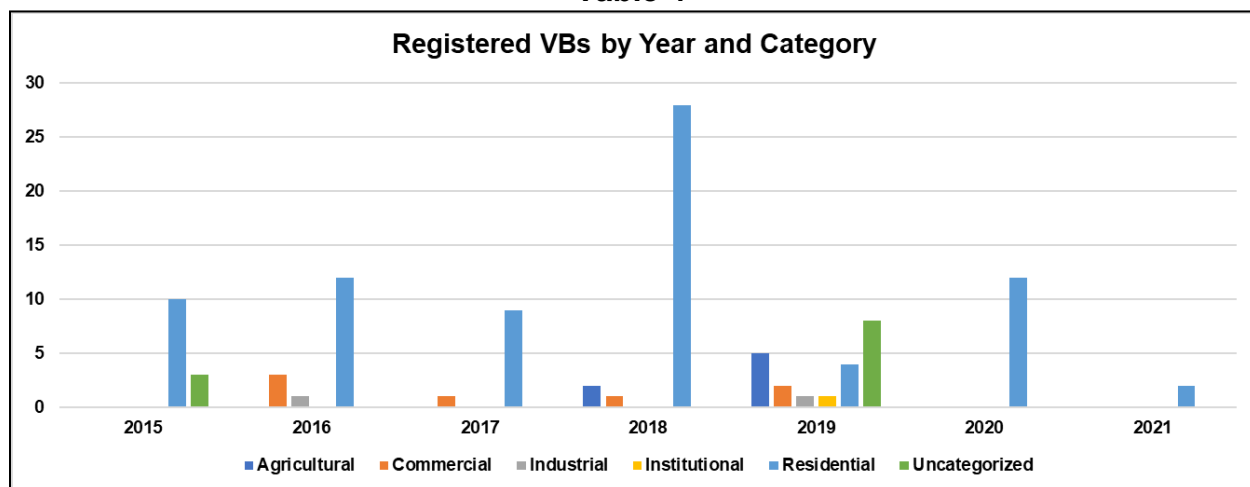
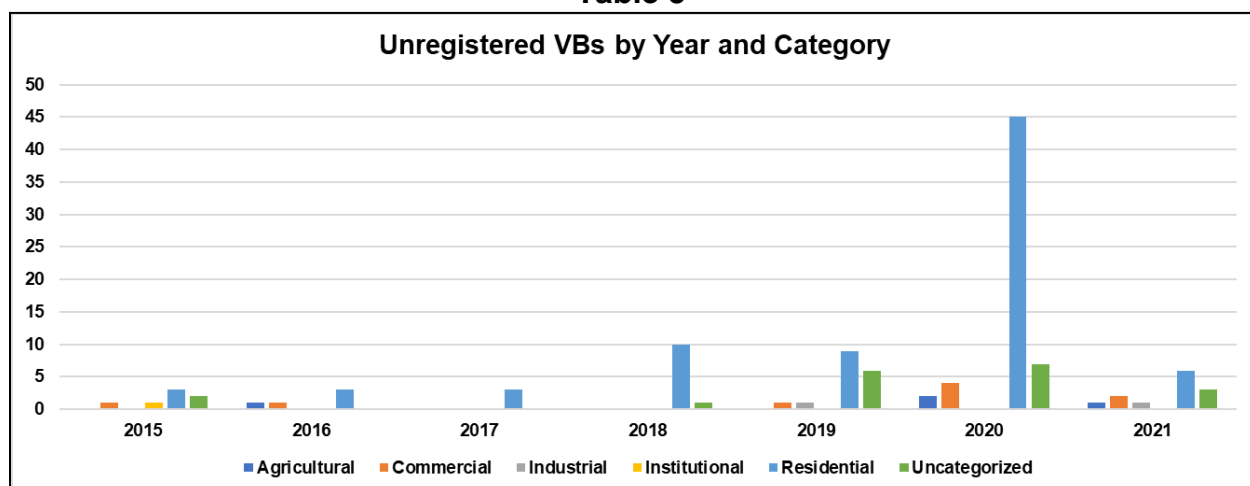


Table 5



There are limitations to the use of the Registry for purposes of establishing a Vacant Home Tax.

The following are exempt from the Registry:

- a use permitted under the City's zoning by-laws;
- a building / demolition permit has been issued;
- farm buildings;
- occupied by property owner on a seasonal basis.

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With the passing of the Vacant Building Registry By-law in 2010, the City of Hamilton provided a property tax rebate to property owners with vacant units in certain commercial and industrial buildings or parts thereof (i.e. mixed commercial / residential buildings). This program compelled property owners to voluntarily register their vacant building(s). However, the vacant unit rebate program was discontinued in 2017 and phased out over the next two years.

The methodology of identifying vacant buildings is limited to public complaint and the proactive efforts of the various City Departments. The collective proactive process of Municipal Law Enforcement, Building Services and Fire Prevention has resulted in the most effective means of monitoring of vacant buildings and prevention against continuing deterioration.

It is also important to note that the Vacant Building Registry only applies to fully vacant buildings. It does not cover vacant units within otherwise occupied buildings. For example, an apartment building with some vacant units would not be subject to the Vacant Building Registry.

Other Municipalities - City of Ottawa Residential Vacant Unit Tax

On June 9, 2021, the City of Ottawa Council approved a report from their Finance and Economic Development Committee on the implementation of a residential vacant unit tax. Details of the initial framework are as follows:

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

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.

Timing: 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.

Tax rate: 1.0%

Estimated Revenue: Staff estimates that between 0.25% and 1.0% of the eligible residential properties in Ottawa will be subject to the tax, which equates to a number between 760 to 3,000. The estimated revenue in the first year would be \$6.6 M with an additional \$29.4 M estimated for the following five years.

Estimated Program Costs: Estimated start-up costs are \$3.5 M over 2.5 years after which the ongoing operating costs would be \$1.3 M annually. A complement of 8 FTEs will be required for the administration of the program.

Other Municipalities - Vancouver Empty Homes Tax 2019 Annual Report

Vancouver's Empty Homes Tax (EHT) has been assessed since 2017. Their annual Report for the 2019 tax year includes all revenue and compliance activity related to the 2019 reference period up to November 1, 2020. In order to determine which properties were subject to the EHT, all Vancouver homeowners were required to make a declaration for the 2019 reference period by February 4, 2020 confirming the status of their property as occupied, exempt or vacant.

Table 6 presents trends on Vancouver's key indicators since the EHT was launched in 2017.

**Table 6
Vancouver's EHT – Key Indicators 2017 - 2019**

Indicator	2017	2018	2019
Empty Properties			
Exempt	5,383	4,256	4,132
Vacant	2,538	1,989	1,893
Revenue			
Tax levy	\$38.0 M	\$39.4 M	\$36.0 M
Penalties & Fines	\$ 1.1 M	\$ 1.8 M	\$ 1.9 M
Total Audits			
Non-compliant	331	892	722
Non-compliant rate	5.3%	10.5%	7.8%

Other findings included in the Vancouver EHT report are as follows:

- Similar to 2018, 57% of exempt and vacant properties are condominiums.
- The majority (40%) of exempt properties in 2019 claimed the property transfer exemption, 34% claimed the renovation exemption and 14% claimed the strata rental restriction exemption.
- There was a net increase of 3,948 tenanted properties between 2018 and 2019. This includes a net increase of 3,394 tenanted condominiums and 1,085 single family homes and a decrease of 531 other property types.
- Of the 1,989 vacant properties in 2018, 41% were occupied in 2019 (24% tenanted, 13% principal residences, 4% principal residences of a permitted occupant) and 2% no longer required a declaration.
- Revenue decreased in 2019 as the number of properties decreased and due to tax reversals resulting from a one-time extension of the declaration period.

- Revenue generated from audit activities during the period from November 2, 2019 to November 1, 2020 was \$18.2 M. Many audits are still in progress and additional audits relating to the 2019 reference year may be initiated in the future.
- Average assessed value of vacant properties is \$1.5 M for condos (versus \$0.9 M average for all properties) and \$2.3 M for single family homes (versus \$1.2 M average for all properties).

The following conclusion is stated on page 7 of Vancouver's report:

"Since the Empty Homes Tax launched, we've continued to use our key performance indicators to measure the program's effectiveness in tackling our city's housing crisis. In the 2019 reference year there has been encouraging progress made on these indicators, including another year-over-year increase in tenanted properties. Staff continue to work on initiatives that aim to improve living conditions and increase the supply of affordable housing, as part of the broader set of actions set out in the City's 10-year Housing Vancouver Strategy."

Other Municipalities – Toronto Vacant Home Tax

Information on Toronto's Vacant Home Tax was provided in Report FCS21017. No new information is available.

Canada's Census 2016

Data obtained from Canada's Census 2016 shows that Hamilton had 222,940 private dwellings and 11,350 unoccupied private dwellings. Private dwellings are defined as dwellings with a separate set of living quarters with a private entrance from outside the building or from a common hall, lobby, vestibule or stairway inside the building. The entrance to the dwelling must be one that can be used without passing through the living quarters of some other person or group of persons. The other data collection point from Census 2016 is collective dwellings which are defined as institutional, communal or commercial in nature and includes lodging or rooming houses, hotels, motels, tourist establishments, nursing homes, hospitals, staff residences, military bases, work camps, jails and group homes.

Comparatively, Census 2016 shows unoccupied private dwellings in the City of Vancouver of 25,202, City of Toronto of 66,128 and City of Ottawa of 22,000.

Regarding differences in definitions, Ontario Regulation 282/98 under the *Assessment Act* defines the residential property class, generally, as land used for residential purposes that does not have seven or more self-contained units. This Regulation contains many more definitions defining this property class.

In 2021, the City of Hamilton has approximately 176,500 properties in the Residential Tax class.

Update on Hamilton's Rental Market

According to the Rental Market Report released in January 2021 by the Canadian Mortgage and Housing Corporation, the overall vacancy rate in the Hamilton Census Metropolitan Area (CMA) primary rental market was 3.5% in 2020, down slightly from 3.9% in 2019 and similar to Hamilton's 10-year historical average. The average rent in Hamilton in 2020 was \$1,207 which is higher than the previous year by 5.4% (\$1,133). Table 7 shows the vacancy rate and average rate for comparable CMA's for 2020.

Table 7
2020 Vacancy Rate and Average Rent – Selected Ontario CMA's

CMA	Vacancy Rate	Average Rent
Ottawa	3.9%	\$1,358
Windsor	3.6%	\$ 937
Hamilton	3.5%	\$1,207
London	3.4%	\$1,119
Toronto (*)	3.4%	\$1,523
Kingston	3.2%	\$1,282
St. Catharines - Niagara	2.7%	\$1,075
Peterborough	2.6%	\$1,124
Greater Sudbury	2.5%	\$1,053
Kitchener-Cambridge-Waterloo	2.1%	\$1,221
Average	3.1%	\$1,190

(*) Increase from 1.5% in 2019

Summary

There are limitations of using the Vacant Building Registry for the purpose of identifying vacant residential properties with 221 currently active. Information obtained from Canada's Census 2016 shows that there were 11,350 unoccupied private dwellings.

A mandatory vacant property declaration would identify the number of vacant residential properties and would be required in any proposal to establish a Hamilton Vacant Home Tax Program.

Estimated revenue will vary with an average assessed value of \$381,000 and other assumptions. With 221 residential properties in the Vacant Building Registry and a tax rate of 1% or 2%, revenues are estimated between \$800,000 to \$1.6 M. With an estimate of 0.5% or 883 vacant residential properties and a tax rate of 1% or 2%, revenues are estimated between \$3.3 M and \$6.7 M.

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Consideration would need to be given to the initial implementation and ongoing administration costs relative to the potential revenue that may be generated from a Vacant Home Tax Program. Based on the experiences outlined above and in Report FCS21017 for Vancouver, Toronto and Ottawa, there will be a need to use a portion of the revenues to support the staffing and administration costs for tax administration, review and compliance, appeals and dispute resolutions, communications, IT support and maintenance and call centre support. The City of Ottawa estimated annual operating costs of \$1.3 M including staffing requirements for eight full time equivalents (FTE).

The City of Hamilton annual operating costs of a Vacant Home Tax Program would likely range from \$1 M to \$1.3 M.

APPENDICES AND SCHEDULES ATTACHED

N/A

GR/RU/dt