

Item 8.2



Hamilton

**VACANT HOME TAX
GENERAL ISSUES COMMITTEE**

Report FCS21017(b)

**GIC February 2, 2022
Corporate Services**

Recommended Approach

- a. Seek Provincial designation
- b. Approval for implementation costs
- c. Referral of Operating costs and FTE to 2022 Budget

Historical Background

- February 2021
 - Report FCS21017 “Considerations to Implement a Vacant Home Tax in Hamilton”
- July 2021:
 - FCS21017(a) / PED21114 “Considerations to Implement a Vacant Home Tax in Hamilton”
- September 2021: Public engagement.
- February 2022:
 - Report FCS21017(b) “Vacant Home Tax in Hamilton”

Purpose of the Tax

- An Optional Tax on Vacant Residential Units was included under the *Ontario's Fair Housing Plan of 2017* to address housing issues.
- The main objective of implementing a Vacant Home Tax is to encourage owners to rent out empty properties in order to increase the supply and affordability of housing.
- It is designed primarily as a housing tool rather than a revenue tool.
- An additional outcome of the VHT would be additional revenue for the municipality.

Public Engagement

- Online survey from September 7, 2021 to September 30, 2021.
- A total of 3,860 responses were recorded
 - 91.4% of respondents support the idea of a vacant home tax
 - 71.5% think that the number of vacant homes in Hamilton is negatively impacting the supply of affordable housing
 - 80.7% support a mandatory declaration
 - 52.7% support a tax rate of 2% or more

Draft VHT Framework

- Residential properties that have been unoccupied for more than six months during the preceding calendar year
- Exemptions will be in place
- 1.0% Tax rate
- Mandatory declaration
- Audits throughout the year; All properties that declare an exemption will be audited.
- Dispute mechanism in place
- Penalties for failure to make a declaration, false declarations and late payments will be in place

Financial Considerations

- Unknown number of empty properties
- Estimated 1,135 properties will pay the tax (based on Vancouver's experience)
- Estimated revenue of \$4.3M in the first year of the VHT program
- Implementation costs estimated at \$2.6 M
- Annual operating costs estimated at \$2.2 M including 16 Full Time Equivalents

Financial Considerations

Estimated Total Vacant Units, Tax Revenues and Program Costs (Assumed 1,135 Properties and 1% Tax Rate)

	Number of Properties	Estimated Revenue	Estimated Expenses	Net Revenue
2022			\$ 2,556,427	\$ (2,556,427)
2023	1,135	\$ 4,324,000	\$ 2,201,000	\$ 2,123,000
2024	908	\$ 3,459,000	\$ 2,227,000	\$ 1,232,000
2025	863	\$ 3,287,000	\$ 2,255,000	\$ 1,032,000
2026	819	\$ 3,122,000	\$ 2,284,000	\$ 838,000
2027	778	\$ 2,966,000	\$ 2,313,000	\$ 653,000
Total		\$ 17,158,000	\$ 13,836,427	\$ 3,321,573

Financial Considerations

Estimated Total Vacant Units, Tax Revenues and Program Costs (Assumed 880 Properties and 1% Tax Rate)

	Number of Properties	Estimated Revenue	Estimated Expenses	Net Revenue
2022			\$ 2,556,427	\$ (2,556,427)
2023	880	\$ 3,353,000	\$ 2,201,000	\$ 1,152,000
2024	704	\$ 2,682,000	\$ 2,227,000	\$ 455,000
2025	669	\$ 2,548,000	\$ 2,255,000	\$ 293,000
2026	635	\$ 2,421,000	\$ 2,284,000	\$ 137,000
2027	604	\$ 2,300,000	\$ 2,313,000	\$ (13,000)
Total		\$ 13,304,000	\$ 13,836,427	\$ (532,427)

Other Jurisdictions

	Vancouver	Toronto (*)	Ottawa (*)	Peel Region (*)
Implementation	2017	2022	2022	2024
One-time Costs	\$7.5 M	\$11 M	\$3.5 M	\$12-\$15 M
Operating	\$2.5 M	\$3.1 M	\$1.3 M	\$5M
# Properties	1% of housing stock (2,500)	1% of housing stock	0.5% of housing stock (1,500)	0.8% of housing stock (3,200)
Tax Rate	1.0%	1.0%	1.0%	1.0%
Revenue	\$38 M	\$55 – \$66M	\$6.6 M	\$17 M

(*) Toronto, Ottawa and Peel are estimates

(**) Vancouver increased the tax rate to 1.25% in 2020 and to 3.0% in 2021

Other Considerations

- Implementation and Administration
- Municipal Property Tax Billing Software
- Federal Under-used Housing Tax (UHT)



Hamilton

THANK YOU

