



Hamilton

# **RESIDENTIAL VACANT UNIT TAX PROGRAM FRAMEWORK**

**GENERAL ISSUES COMMITTEE**

Report FCS21017(C)

**GIC Jan. 18, 2023**  
**Corporate Services**

# Objectives

- Overview of Vacant Unit Tax (VUT)
- Program Framework
- Recommendations

# 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 Unit 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 VUT would be additional revenue for the City.

# Historical Background

- February & July 2021:
  - Considerations to Implement a Vacant Home Tax in Hamilton (Reports FCS21017, FCS21017(a) / PED21114)
- September 2021:
  - Public engagement
- May 2022:
  - City obtained Provincial designation
- June 2022:
  - Council approval (Report FCS21017(b) “Vacant Home Tax in Hamilton”)
  - Approval of \$2.6M for implementation
  - Annual costs and 16 FTE’s funded by program revenues

# Vacant Unit Tax Framework

## Eligible Properties

- The residential Vacant Unit Tax (VUT) is an annual tax payable by the owner of an eligible property that has been vacant for more than 183 days in the previous calendar year.
- All owners of eligible properties must submit an annual mandatory declaration on the status of their property. Failure to submit a mandatory declaration will result in the property being deemed vacant and made subject to the VUT.
- Principal residences are not subject to the tax but must submit the mandatory declaration.

# Vacant Unit Tax Framework

## **Tax Rate**

- 1.0% of the Current Value Assessment (CVA)

## **Exemptions**

- Death of an owner
- Major renovations
- Sale of the property
- Principal Resident is in care, institutionalized or hospitalized
- Court Order

## **Fees, Fines, Penalties and Offences**

- \$250 late mandatory declaration fee
- Penalty of 1.25% on the first day of default and interest of 1.25% per month
- Other offenses

# Vacant Unit Tax Framework

## **Audits**

- Properties deemed vacant will be charged

## **Dispute resolution**

- Two tier mechanism
  - Complaint process
  - Appeal

## **Annual Reporting**

## **Communications Strategy**

- Dedicated page in City's website
- Mailed flyers
- Social media messages
- Increased support in Customer Contact Centre and MSC

# Vacant Unit Tax Framework

## Program Timeline

Date	Action
Early November 2023	By-law approval*
Mid December 2023	Mandatory declarations are mailed
January 1	Mandatory declaration platform opens
March 31	Mandatory declaration deadline
April 1 to April 30	Late mandatory declarations will be accepted with a fee
First week of June	Tax bills are mailed
June 30	First tax payment due
July 2	Complaint period begins
September 30	Second tax payment due

\* For reference years beyond 2023, it is recommended that the by-law be passed at an earlier date.

# Financial Considerations

- Estimated 1,135 properties will pay the tax
- Implementation costs estimated at \$2.6 M for the 2022-2023 period
  - As of Dec. 2022 no implementation funds have been used
- Annual operating costs estimated at \$2.2 M including 16 Full-Time Equivalents
- Estimated gross revenue of \$4.3 M in the first year of the VUT program
- Self funded program
- Estimated \$3.3M (net) during the 2023-2028 period

## Related Initiatives

- Municipal Working Group
- Ontario's Non-Resident Speculation Tax
- Federal Underused Housing Tax

# Recommendations

- Approval of framework
- By-law preparation
- Direct net revenue to a new Affordable Housing Reserve
- Approval of late mandatory fee
- Approval of annual reporting requirement



THANK YOU

