

April 11, 2024

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Her Worship Mayor Andrea Horwath
and Members of Hamilton City Council

Hamilton City Hall

2nd Floor – 71 Main Street West,

Hamilton, Ontario L8P 4Y5

Dear Madam Mayor and Members of City Council:

Re: Vacant Unit Tax

The Hamilton and District Apartment Association (“HDAA”) is an association of residential property owners, managers and suppliers, and we represent the interests of private sector Rental Housing Providers in excess of 30,000 rental units throughout Hamilton, Burlington, Brantford, Guelph, Mississauga, Oakville, St. Catharines and into the Niagara Peninsula. The term “Residential Rental Housing Providers” comprises of some corporations that owns thousands of rental units, to other small business owners (i.e. electrician, accountants, teachers and etc.) that manages a rental property from one to five rental units, while working full-time. HDAA cares about our industry and encourages compliance with legislation and best practices to ensure our Tenants are provided with the best customer experience possible.

In prior years, HDAA had been consulted as a stakeholder in related matters pertaining to the rental housing industry. In our last letter of August 4th, 2022 to City Council, we have provided our thoughts which are still in dissent with respect the above-captioned matter.

The Vacant Unit Tax in Hamilton will have very insignificant short-term impact on housing availability and will be a train wreck. It will be very costly, and more trouble than it is worth, as witnessed in this year's Toronto Vacant Home Tax fiasco. Moreover, this will cause you to have many unforgiving constituents in your Wards for your next Municipal Election if you did not oppose the Vacant Unit Tax.

In light of the foregoing, on behalf of HDAA, I sincerely and respectfully recommend that all Members of City Council to prudently reconsider voting in the next General Issues Committee Meeting, for overturning the Vacant Unit Tax, for the reasons and/or consequences stated below:

1) Net Deficit resulting from the Vacant Unit Tax program

If City Staff is assuming an estimate of 880 properties paying the 1% Vacant Unit Tax, which is equivalent to 0.5% of the total residential properties (approximately 176,500 in the Residential Tax Class in 2021), then the net revenue over the next six years will be a total loss of \$532,427.00

While the desired outcome of the Vacant Unit Tax is to increase the availability of housing, if the Vacant Unit Tax is effectively moving vacant homes into occupied homes, this will result in a decreasing revenue from this source over time.

Furthermore, if revenue is collected but the number of vacant homes does not decrease, then the Vacant Unit Tax program would be deemed very unsuccessful.

Consequently, this Vacant Unit Tax program will not be sustainable, and have very marginal impact in helping address the current housing shortage, and more importantly, taxpayers' money will be wasted, which will not be received well by your constituents for the next Municipal Election.

2) Unknown number of empty properties

How the City Finance Staff has arrived to the assumption of “1,135 properties” is very questionable and has no validity.

According to The Public Record in 2022

(<https://www.thepublicrecord.ca/2022/02/census-2021-hamilton-population-data-unoccupied-units-and-student-housing/>), there were 233, 564 dwelling units (DU) in Hamilton, up from 222, 918 dwelling units in 2016 (an increase of 4.8%) per Statistics Canada census data.

Of the 233, 564 dwelling units, 222, 807 were “occupied by usual residents”, which leaves 10, 757 dwelling units that are not “occupied by residents”

There was a change in Statistic Canada methodology between the 2001 and 2006 censuses, which resulted in a reclassification change of existing dwelling units – E.g. a Single-Family Home that was identified as a “Single-detached” in 2001, may have been classified as a “Duplex” in 2006, if the enumerator detected the presence of a secondary suite (i.e basement apartment).

The 10, 757 dwelling units that are not “occupied by residents” as mentioned above, are not necessarily empty, and some are secondary suites that may be absorbed back by property owners for their personal use, and about 25% of these “unoccupied” dwelling units are student-occupied housing.

Students are not “usual residents” as they are counted by the census at their primary residence which are usually their family homes, and thus these Hamilton dwelling units are counted by the census as “unoccupied”.

The City of Hamilton have been estimating the number of students who live in the areas surrounding post-secondary campuses, because most students do not provide their student housing address.

Furthermore, renovation projects in Hamilton such as 180 Ottawa Street North (affordable housing units) were registered as “unoccupied units” in its dissemination block as per Censusmapper.ca which is an interactive map displaying the percentage of “unoccupied units” by dissemination block.

Based on the above-mentioned, for the City Finance Staff to make an assumption for “1,135 properties that would have to pay the Vacant Home Tax”, using the census data (which is not accurate) and also “following the same trend as Vancouver”, would be unacceptable and be construed as very irrational for decision-making.

It is very difficult to identify the number of empty properties that would be eligible for the tax in Hamilton. Furthermore, it is not accurate or ideal for Hamilton to simply make assumptions based on Toronto and Vancouver's unoccupied private dwellings, as there are major differences in the size and housing market availability and affordability between the respective cities. For the City of Hamilton to spend \$2.6 million in the first year, and \$2.2 million ongoing annually in subsequent years, for the span of 6 years, and then to have realized a much lower number of empty properties than their assumptions, would create a big net deficit, which is not good for Hamilton that already had a 2024 insufficient budget.

This will be a very costly and futile exercise, for trying to determine the number of vacant units in Hamilton, and will have very insignificant impact in creating more rental housing, and furthermore, it will not be an effective use of taxpayers' money, which will not be received well by your constituents for the next Municipal Election.

3) More Taxes discourage investments in Cities

Below are some taxes from Federal, Provincial, Municipal, all of which, applicable property owners (Canadians, non-Canadians, residents, and non-residents) pay:

- 1% Annual Federal Underused Housing Tax, effective as of January 1st, 2022.
- 25% Non-Resident Speculation Tax (NRST) in Ontario, effective as of October 25th, 2022.
- 5.79% property tax increase in Hamilton for 2024

On top of the above-mentioned taxes, property owners still have to pay insurance, maintenance, utilities.

If the purpose of the Hamilton Vacant Unit Tax is to target vacant properties, potentially owned by "speculators", and to create more rental housing, then this would be deemed as very marginal, because in Hamilton, 6% of the population are non-Canadian citizens, and only 1% are not residents.

Nonetheless, more taxes discourage investments in Cities, and thus Hamilton will not be able to grow and prosper economically if government tax policies are not favourable.

4) Many Distressed Seniors

Seniors are vulnerable, and some do not speak or read English, or do not have computers, and thus they will be emotionally distressed when faced with an unexpected vacant home tax bill. As witnessed in this year's Toronto Vacant Home Tax fiasco, Ward 5 Toronto City Councillor Frances Nunziata said "she has received hundreds of calls from many frustrated residents, mostly seniors, that were shocked and confused, when they received a tax bill for \$7000 to 8,000, and a lot of residents who actually declared, still received a tax bill." This huge error by Toronto City Staff, had caused many distressed seniors, in addition to their recent annual property tax increase. It will be very unwise for Hamilton to do the same as Toronto, and to experience the same aftermath, which will not be received very well by all your constituents for the next Municipal Election.

5) Many outraged Property Owners or Taxpayers

The implementation of the Vacant Unit Tax in Hamilton can be viewed as similar to the negative billing (i.e the precedent case of CRTC decision on usage-based internet billing which was overturned by the Canadian government). If Hamilton uses a Mandatory Declaration approach similar to Toronto, then residents who do not report their status as occupied or vacant to the City each year, would be automatically deemed vacant. As mentioned before, and as witnessed in the mess of Toronto's Vacant Home Tax this year, one third of homeowners missed the declaration deadline, and those who even submitted a declaration, still wrongfully received a huge Vacant Home Tax bill. More than 60,000 complaints were filed by property owners, and the Toronto Mayor Olivia Chow had apologized to all Toronto residents, and vowed to clean up the mess. Hamilton should not repeat this same mistake, and nonetheless, should not implement the Vacant Unit Tax, for the reasons and/or consequences stated above.

The Vacant Unit Tax in Hamilton will have very insignificant short-term impact in addressing the housing shortage. It will be another disruption to homeowners, buyers, sellers, taxpayers, and rental housing providers. If homeowners are working away from home for a year or two, under the current Landlord and Tenant Board problems, they will not rent out the property as they will have extreme difficulty in getting back possession.

Also, it will not significantly address the concerns of speculators because foreign investors who are looking to keep their money safe, will go to Toronto or Vancouver, and Hamilton is not on their radar.

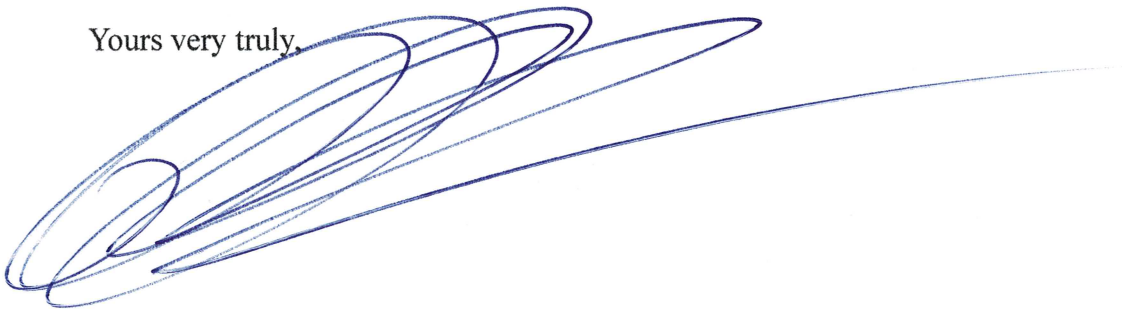
Furthermore, and suffice to say, there were historical periods in real estate when home prices were rising fast, and speculators were buying homes and keeping them to sell at a higher price. However, in these unprecedented times today, and with very high interest rates, it is nonsensical that any speculators are buying and keeping empty properties and expecting a price increase enough to cover carrying costs and sell for a profit at a later date. In these current market conditions, speculators do not feel confident, and thus homes are not empty for speculative reasons but for other reasons (for example: government interventions) and there are exceptions for most of those reasons.

Lastly, the Vacant Unit Tax will bring a very insignificant number of homes for rent or sale, and it will be an endless cost to the city.

With respect to the above-mentioned, on behalf of HDAA, I sincerely urge that all Members of City Council would significantly reconsider for overturning the Vacant Unit Tax in Hamilton in the next General Issues Committee Meeting.

Please call or write if you have any questions or concerns with the above-mentioned, or if you would like to further discuss the above-captioned matter.

Yours very truly,



Daniel P. Chin

President - Hamilton and District Apartment Association