

REPORT

Council

Meeting Date: January 27, 2025

FROM: Finance Department

DATE: January 14, 2025

SUBJECT: Oakville Vacant Home Tax

LOCATION:

WARD: Town-wide [Click here for multiple wards.](#)

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RECOMMENDATION:

1. That staff proceed with a plan to implement a Vacant Home Tax within the municipality and that staff report back in Q3 2025 with more details on a proposed Vacant Home Tax program.
2. That the Town Clerk forward a copy of this report's resolution to Halton Region, City of Burlington, Town of Milton and Town of Halton Hills.

KEY FACTS:

The following are key points for consideration with respect to this report:

- March 27, 2024 (and updated September 13, 2024) Ontario released a Provincial Policy Framework which provided supplemental Vacant Home Tax (VHT) guidelines and recommendations, in addition to *Municipal Act, 2001* Part IX.1 Optional Tax on Vacant Residential Units legislation, to promote consistency and best practices in application of a VHT.
<https://www.ontario.ca/page/municipal-vacant-home-tax#section-2>
- The 2024 Provincial Policy Framework included a recommendation for municipalities with an upper tier and lower tier system of government, that upper tier municipalities receive supportive statements or endorsements from lower tiers, including approaches to ensure that the lower tiers will be able to retain revenues sufficient to offset their costs of VHT collection and administration.”
- Upper tier municipalities are responsible to set out key aspects of a VHT program, such as the tax rate and definition of vacancy. Further, upper tier municipalities will specify in a by-law for which lower tiers the VHT will be in effect, and in which it will not.

- To date all other Halton Region lower tier municipalities have provided the Region with approved resolutions that they be excluded from any potential by-law(s) that would implement a VHT within their respective municipalities.
- Should the Town of Oakville Council wish to proceed with a plan for a VHT program, Oakville will be required to provide a supportive statement to Halton Region to participate in a VHT program.
- Should the Town of Oakville Council wish to opt-out of a VHT program, Oakville will be required to provide an approved resolution to Halton Region to be excluded from a VHT program by-law.
- If Oakville Council would like to proceed with a plan for a VHT program, town staff will commence further design of a program for Oakville only and work with Halton Region on contents of the program by-law that would be passed by Regional Council. Once details of the program have been evaluated, staff would return to Council for approval of a VHT program.

BACKGROUND:

The option for Municipalities to implement a Vacant Home Tax was originally established through Bill 127, *Stronger, Healthier Ontario Act* in 2017. Bill 127 amended the *Municipal Act, 2001* by adding a new Part IX.1, which allowed designated municipalities through by-law to impose a tax on vacant residential units in certain circumstances. Rules regarding the by-laws were established within Part IX.1, and it allows the Ministry of Finance the authority to make regulations governing the VHT as necessary or desirable.

In December 2022, the Ministry of Finance formed a VHT working group that includes Ministry of Finance members and upper tier and lower tier municipalities. Oakville, Burlington, Milton and Halton Region are part of the VHT working group, and this working group remains in place and is currently actively meeting. Through its findings and discussions with the VHT working group, the Ministry of Finance released a Provincial Policy Framework in March 2024. This Framework established that municipalities are no longer required to be designated by the Ministry of Finance to impose a VHT and recommended, amongst other items, that within a two-tier municipality, the upper tier municipality must pass the by-law at Regional Council, but the VHT is recommended to be endorsed and opted in by the lower tier municipal Council(s).

Commencing in 2021, Halton Region and the local municipalities have worked together with Ernst & Young LLP (EY) regarding a VHT program design and feasibility study. Below, and in Appendices A-D, is a summary of reports and related information brought forward to Regional Council on a VHT program to date:

- April 20, 2022: through Halton Region report FN-15-22 (Appendix A), Regional Council received a VHT feasibility assessment of adopting a VHT, prepared by EY.
- Regional Council gave direction to staff to proceed with undertaking a design and implementation study of a proposed VHT program in the region.
- November 22, 2023: through Halton Region report FN-41-23 (Appendix B), Regional Council received an update on the VHT work to-date which included results of a public consultation process completed by the region and notification of an upcoming provincial framework to be received. At the council meeting a motion was passed to pause the VHT work until the province established and released the policy framework.
- March 27, 2024: the Ministry of Finance released the Provincial Policy Framework which included guidelines and recommendations for the VHT. This framework also established an option for lower tier municipalities to opt-out of participating in a VHT program. <https://www.ontario.ca/page/municipal-vacant-home-tax>
- April 17, 2024: through Halton Region report FN-12-24 (Appendix C) and with the release of the province's framework, Regional Council approved the resumption of work on the study of a VHT program for Halton Region.
- May 13, 2024: through report ES-009-24*, the Town of Milton requested to be excluded from a VHT program.
- June 17, 2024: through report CS-2024-015*, the Town of Halton Hills requested to be excluded from a VHT program.
- September 17, 2024: through report F-27-24*, the City of Burlington requested to be excluded from a VHT program.
- October 23, 2024: through Halton Region report FN-26-24 (Appendix D), Regional Council received the VHT exclusion requests from the other three Halton Region lower tier municipalities and requested Oakville provide a statement to the region to indicate its intent to participate in a VHT program.

COMMENT/OPTIONS:

The province has stated the intent of a VHT program is to increase the housing supply by creating an incentive for property owners to sell unoccupied homes or make them available to rent. VHTs are municipal taxes that are a tax rate applied to the current assessed value of a vacant home.

* Included in Appendix D – Halton Region Report FN-26-24 appendices

Municipalities have some autonomy in designing a VHT program using the legislation for guidelines and recommendations. Property exemptions from the tax, methods of vacancy declaration, late declaration fees, audit methods and inspection powers, and the use of dispute resolution are decided by the municipality. In a two-tier municipality, these details of a VHT program, along with an established tax rate and definition of a vacant unit, are to be approved by Regional Council through by-law. A fulsome summary of a VHT program design can be found in Appendix D – Halton Region Report FN-26-24.

Current Ontario Municipalities that have implemented a VHT program include:

- City of Toronto (Appendix E):
 - Approved by Council in 2021
 - 2022 VHT program revenue \$56.5M (1% tax rate)
 - 2023 VHT program revenue \$50.6M (1% tax rate)
 - Vacancy rate (% of residential vacant units) in Toronto is estimated between 1.0%-1.2%
 - Universal declaration methodology
 - 2024 VHT program tax rate increased to 3%, program revamped with longer declaration period, declarations can be submitted via a portal, increased customer care and late declaration fees remain waived for the time being
 - \$5.8M annual administration cost. This amount includes \$3.1 for general administration, \$1.1M for customer care staffing (311), \$1.6M for communications (campaign and print)
- City of Ottawa (Appendix F)
 - Approved by Council in 2022
 - 2022 VHT program revenue \$12.6M (1% tax rate)
 - 2022 Vacancy rate (% of residential vacant units) in Ottawa was 1.1%
 - Universal declaration methodology
 - 2022 VHT program administration costs \$2.28M. This amount includes 12 FTEs and 6 PTEs, development of an IT solution and communication expenses
- City of Hamilton (Appendix G)
 - Approved by Council in 2024
 - 2025 commencement year
 - Approved using a 1% tax rate, estimated net revenue of \$3.3M in the first five years of the program.
 - Universal declaration methodology
 - One time implementation costs estimated at \$2.6M, annual administration costs estimated at \$2.2M. These amounts include 16 FTEs, general administration and communication costs. (EY estimates)
- City of Windsor (Appendix H)
 - Approved by Council in 2023

- Volunteer declaration methodology and public reporting (tips)
- 2024 implementation with a 3% tax rate
- 2024 projected revenue \$246K and estimated expenses \$146K (includes two FTE plus general administration and communication fees)
- City of Sault Ste. Marie (Appendix I)
 - Approved by Council in 2024
 - 2025 implementation with a 3% tax rate
 - Volunteer declaration methodology and public reporting (tips)
 - Estimate of 45 properties are vacant
 - 2025 projected revenue of \$58.6K and estimated expenses \$96.7K (includes 1 FTE plus general administration and communication fees)

EY feasibility study for Oakville found in Appendix D, attachment #5 notes the following estimates for implementing a VHT program:

- 332 estimated eligible vacant units
- At a 1% tax rate, projected annual revenues of \$2.8M for the first 10 years of the program, comprised of \$2.76M in tax levy revenue and \$0.07M in penalty revenue
- EY estimated implementation costs would be approximately \$1.6M:
 - Declaration and audit systems: \$1.0M (noted based on regional system cost, not explored for Oakville)
 - Other Costs (business support, public consultations, project team) \$0.5M
- EY estimated annual costs to operate the program to be \$2.2M:
 - EY estimate includes 14 FTEs at \$2.1M
 - Annual software license fees at \$0.1M (noted based on regional system cost, not explored for Oakville)

EY estimated average annual net revenues projected for a VHT program in Oakville to be \$0.6M, with an estimated implementation cost of \$1.6M to be recovered from net revenues of the program, with a payback period of less than three (3) years.

Next Steps:

Should Council wish to proceed with a plan for a VHT program, the recommendations in this report should be passed. Staff will then inform Halton Region that Council is in support of a VHT program and work with Halton Region to determine what would be required for the regional by-law.

At the same time, staff will begin the work to design an Oakville-specific VHT program, including addressing program details, identifying timelines, costs, and staffing requirements, proposing uses of net VHT funds, and coming up with a communications plan. Staff could likely return to Council in Q3 2025 with further details of the program for a possible roll-out in 2027.

CONSIDERATIONS:

(A) PUBLIC

A Vacant Home Tax program can be onerous to property owners if a universal declaration is established as part of a VHT program; however, revenues potentially can be significant and could be put towards housing affordability which would benefit the public and Oakville's housing needs in general.

Over time, a VHT program should reduce the number of vacant units and therefore, the program can be reviewed annually and amended from a universal declaration to another less burdensome form, such as a self-declaration method.

(B) FINANCIAL

Staff would require further cost analysis of implementing and administering a VHT program in Oakville, outside of the estimation provided by EY's feasibility study previously provided to Regional Council as costs were generally estimated and Oakville staff think that there is overlap with suggested staffing requirements and existing staff.

Implementing a VHT program would provide revenues that could be used for assisting with affordable housing development and/or other Oakville goals. Should Council wish to move forward with a VHT program, part of the staff report to come back at a later date would outline for what purposes any net proceeds could be used.

Currently, the town's previously approved budget includes 0.5 FTE in Finance to help with implementation of a VHT program. Given the pause at the region, staff have not filled this position. Should Council wish to move forward with a VHT program, staff would fill this position to assist in the work required to bring a final report forward to Council for approval.

(C) IMPACT ON OTHER DEPARTMENTS & USERS

There would be a need to increase staff in Revenue Services & Tax to administer the program and provide additional customer service needs, particularly the first two years of implementation.

The Communications department would also be impacted and may require additional staffing. There should be minimal impact to ITS as staff would work with the town's new tax software vendor to facilitate a declaration and tracking method through the current tax solution and tax portal.

(D) COUNCIL STRATEGIC PRIORITIES

The goal of a VHT program is to reduce the number of vacant residential units within a municipality to aid with increasing housing units (owned or leased) and to ensure areas are adequately populated in so that commercial areas thrive and are able to service the community as planned.

The goal of the Vacant Home Tax program aligns with the Council approved Housing Strategy and Action Plan's goal to increase the housing supply in keeping with the town's urban structure, improve housing options and choice, and collaborate with other levels of government to create more housing which is contextually appropriate. Revenue generated from a Vacant Home Tax could be used to assist in the implementation of action items identified in the Housing Strategy, including the potential to fund programs developed within a Community Improvement Plan intended to improve housing affordability in Oakville.

(E) CLIMATE CHANGE/ACTION

NA

APPENDICES:

Appendix A - Halton Region Report FN-15-22 Apr 20, 2022

Appendix B - Halton Region Report FN-41-23 Nov 22, 2023

Appendix C - Halton Region Report FN-12-24 Apr 17, 2024

Appendix D - Halton Region Report FN-26-24 Oct 23, 2024

Appendix E - City of Toronto Redesigning the VHT Program Report Sept 17, 2024

Appendix F - Ottawa VHT 2022 Occupancy Year Annual Report

Appendix G - Hamilton Residential Vacant Unit Tax Program Framework Jan 18, 2023

Appendix H - Windsor Development and Implementation of a City Wide VHT Program Report Nov 27, 2023

Appendix I - Sault Ste Marie Municipal VHT Report Apr 29, 2024

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