

# Memorandum

Date: June 6, 2023

To: Members of Council

From: Hillary Bryers, Acting Treasurer, Finance

Subject: Supplementary Information regarding the Region of Peel's Request for Support for the Vacant Home Tax Submission

The purpose of this memo is to provide supplementary information regarding the correspondence on the June 6 agenda regarding the Vacant Home Tax – Letters of Support for Peel Region's Submission.

In 2017, the Municipal Act, 2001 was amended to include an optional tax on vacant residential units. The Minister of Finance must first designate a municipality before they can impose a tax on vacant residential units. Following a feasibility study and implementation design, the Region of Peel will be requesting this designation from the Minister of Finance to implement a Vacant Home Tax (VHT) throughout the Region of Peel. The correspondence from the Region of Peel on today's agenda is requesting Caledon's support of such a request for designation.

## Background

At the January 14, 2021, Regional Council meeting, Regional Council approved a resolution directing Region staff to conduct a feasibility study to assess the appropriateness and applicability of potential implementation of a VHT in Peel Region. A working group comprised of regional and local municipal staff was established to discuss the feasibility. In July 2021, Regional staff engaged Ernst and Young (EY) to conduct an assessment to evaluate the feasibility of implementing a VHT. This report was presented to Regional Council on January 27, 2022, with a draft program design being presented on April 27, 2023.

The purpose of the vacant home tax is to support housing policy by encouraging property owners to put their properties back on the market for either rental or sale and not to leave productive homes vacant. While not designed to be a revenue generating tool, the EY study found that the VHT would be a revenue positive tool across the Region of Peel to address affordable housing challenges. Increasing the supply of housing units could potentially lead to a decrease in average property sale and rental prices which would improve housing affordability.

## The Program

- Would only apply to homes that are vacant for more than 184 days in a calendar year and are not exempt
- Provides for a limited number of exemption circumstances
- Initial tax would be 1% of a property's assessed value per year

- Would be delivered through a hybrid model: Region's looks after levying, declaration process, audit, and compliance while local municipalities undertake tax billing and collections
- For the Region to move forward, a proposal must be submitted to the Province requesting designated status for VHT.
- The Region of Peel is looking to implement the tax as early as 2025
- The Region of Peel and the three local municipalities would need to develop systems and software applications to facilitate VHT declarations from residents with the Region of Peel, as well as billing and collection systems with eh local municipalities as well as audit and appeal processes.
- There has been no formal agreement on how the revenues for the program will be used. Funds raised by the Region of Peel from the VHT tax in Caledon could be used to support affordable housing programs at the Regional level.

### **Vacant Home Tax in Caledon**

Caledon has participated in the working groups created by the Region of Peel and EY and have provided feedback into the program design and implementation strategy. A key concern for Caledon is being made whole for the costs to Caledon of facilitating the collection of the tax and supportive customer service to the community with inquiries about the tax. Currently, the Town's Service Caledon, Finance and IT teams do not have the resources necessary to facilitate the implementation and ongoing support of this program. Additional staff resources will be necessary to provide this program on behalf of the Region. This need has been expressed to both the Region of Peel staff and EY as part of the implementation program but may not be adequately addressed in their estimated implementation costing.

In addition, there are significant startup costs and annual operating costs to the program. It is uncertain that the number of properties that would be eligible for a VHT, especially within Caledon, and there is a risk that there could be insufficient revenue to cover the implementation and operational costs. This funding gap could grow over time. In addition, there has been no evaluation made as to the costs, resources and system support required to implement a new collections software module.