



The Corporation of the City of Cornwall
Regular Meeting of Council
Report

Department: Financial Services
Division: Tax and Collection
Report Number: 2021-15-Financial Services
Prepared By: Michael Carriere, Property Tax and Assessment Supervisor
Meeting Date: February 22, 2021
Subject: Vacant Property Levy Program

Purpose

To provide Council with information regarding a Residential and/or Commercial Vacant Property Levy Program for the City of Cornwall.

Recommendation

- a. That Council receive Report 2021-15-Financial Services.
- b. That Council not proceed with a Vacant Property Levy Program at this time.

Financial Implications

Currently, there are approximately 20 residential properties that the By-Law Enforcement department has identified as vacant, with 10 of the properties registered for tax arrears.

Value of known vacant properties	\$1,972,500
Levy Rate	1.25%
Annual Vacant Property Tax	\$24,656

Although revenue can be generated from this levy, an actual cash flow increase may not be realistic in the short term. Some of the applicable vacant properties that the municipality is aware of are in arrears for property tax and utilities. These monies will potentially only be recovered via a tax sale (properties can be registered after two years in arrears and sold via tax sale after another year if not paid or entered into a Tax Extension Agreement).

Background / Discussion

A vacant property tax levy is relatively new for Canadian cities. A vacant property tax is described as a tool to increase the housing supply by encouraging homeowners to sell or rent their unoccupied home, and if they choose to continue to keep the home vacant, a tax is levied. The net revenue collected from the tax levy can then be used to fund affordable housing projects.

In 2016, the City of Vancouver implemented an Empty Homes Tax to help the city's acute rental property shortage. Vancouver homeowners are required to submit a declaration each year to determine if their property is subject to an Empty Homes Tax charge. Properties deemed empty are subject to a tax of 1.25% of the property's assessed taxable value. The Empty Homes Tax does not apply to principal residences or homes rented for at least six months of the year. Net revenues from the tax are being reinvested into affordable housing initiatives.

In December 2020, Toronto City Council approved an implementation plan to introduce a new tax on vacant Toronto homes starting in 2022. The Vacant Home Tax aims to increase the housing supply by encouraging homeowners to sell or rent their unoccupied home. The revenue the City will earn from the tax is to be used to fund affordable housing projects.

The City of Ottawa is looking into implementing a tax on homes that are left vacant when they could be housing people. Ottawa City Council has asked staff to study whether such a tax would work in Ottawa, and report back in the Spring.

Other cities have contemplated how a Vacant Property Tax Program would be administered, how to reliably identify vacant homes, and how onerous the tax rate should be.

Objective

To determine if a Vacant Property Levy is a viable option for the City of Cornwall:

1. Increase the affordable housing inventory
2. Re-introduce unused commercial space
3. Generate additional revenue to support the Program's costs and initiatives

INCREASE THE AFFORDABLE HOUSING INVENTORY

The current housing market in Cornwall consists of approximately 15,950 residential properties and 96 multi-residential buildings (7 units or more) for approximately 47,000 residents.

There is no indication that properties are intentionally left vacant for extended periods of time.

Currently, there are approximately 20 known vacant residential properties in Cornwall. The potential revenues generated from a tax levy would be approximately \$25,000 assuming a levy of 1.25% is used. The net funds to be used for additional social housing after program costs would be minimal.

The impact on the housing market would be minor, if impacted at all.

RE-INTRODUCE UNUSED COMMERCIAL SPACE

In the last couple of years, there has been discussion regarding a tax for a vacant storefront; in Montreal, New York, San Francisco, Vancouver, and Toronto. In communities where commercial vacancy rates are low, the tax is being considered to pressure property owners to either sell or rent out storefronts so that neighbourhoods remain vibrant.

At this time, Administration has not found legislation that would allow municipalities to impose an optional tax on vacant commercial units.

Other City initiatives

Phase-out of the Vacancy Rebate Program

In 2016, the Province of Ontario, in consultation with municipal and business stakeholders undertook a review of the vacant unit property tax rebate



program. The results of the review and subsequent changes provided municipalities with broad flexibility related to this program. Similar to other Ontario municipalities, the City considered changes to its Commercial and Industrial Vacancy Tax Rebate Program.

In 2017, following local community engagement, Council approved phasing out the City's Vacancy Rebate Program over a period of four years commencing with the 2017 taxation year. The Vacancy Rebate Program was eliminated in its entirety in 2020.

Community Improvement Programs

The City of Cornwall maintains three programs designed to encourage and assist property owners to improve their properties, and by extension, improve our community.

Heart of the City Program

Cornwall's Heart of the City (HoTC) initiative supports revitalization projects that occur in the City's central core. The HoTC program has a number of tools to help landowners undertake property improvements, upgrades and renovate commercial properties and ancillary residential units.

Brownfields Program

Cornwall's Brownfields initiative supports remediation to help developers revitalize brownfield sites in the City. Each program is designed to further the specific goal of redeveloping and reusing brownfield sites.

Renaissance Housing Renovation Program

Supporting Cornwall's rich history, the Renaissance Housing Program supports renewal initiatives. This incentive program assists owners of eligible heritage properties with the costs of conservation.

GENERATE ADDITIONAL REVENUE TO SUPPORT PROGRAM COSTS AND INITIATIVES

There is not enough data/information known at this time to determine if a Vacant Residential Property Tax Levy Program is viable for the City of Cornwall.

If Council decides to move forward with a Vacant Property Tax Program, there will be need for further study; including, undertaking public consultation, a feasibility study, program policy, and implementation measures.

A Program review would consider, but not be limited to:

- public engagement
- consideration of a By-Law and enforcement
- development of a policy and procedures
- a reliable and cost-efficient method of tracking vacant properties
- utilizing current systems and technologies or expanded systems
- discussions regarding the changes needed to be made on tax bills / layouts / charge codes
- a framework of accepting, reviewing, operating a review panel
- the process to become a designated municipality for which the following Regulation would apply

Legal Ability

As part of changes made to the Municipal Act in 2017, municipalities are allowed to impose an optional tax on vacant residential units, under Part IX.1 of the Act.

PART IX.1 OPTIONAL TAX ON VACANT RESIDENTIAL UNITS

Designated municipality

338.1 The Minister of Finance may, by regulation, designate municipalities to which this Part applies. 2017, c. 8, Sched. 19, s. 5.

Section Amendments with date in force (d/m/y)

Power to impose tax, vacant residential units

338.2 (1) In addition to taxes imposed under Part VIII, a designated municipality may, by by-law passed in the year to which it relates, impose a tax in the municipality on the assessed value, as determined under the Assessment Act, of vacant units that are classified in the residential property class and that are taxable under that Act for municipal purposes. 2017, c. 8, Sched. 19, s. 5.

Requirements for by-law

(2) A by-law described in subsection (1) must satisfy the following criteria:

1. It must state the tax rate.
2. It must state the conditions of vacancy that, if met, make a unit subject to the tax. 2017, c. 8, Sched. 19, s. 5.

Other contents of by-law

(3) A by-law described in subsection (1) may provide for such matters as the council of the municipality considers appropriate, including,

- (a) exemptions from the tax;
- (b) rebates of tax;
- (c) audit and inspection powers; and
- (d) except as otherwise provided for in the regulations, the establishment and use of dispute resolution mechanisms. 2017, c. 8, Sched. 19, s. 5.

Section Amendments with date in force (d/m/y)

Regulations re: power to impose tax

338.3 (1) The Minister of Finance may make regulations prescribing such matters as the Minister considers necessary or desirable in relation to this Part, including,

- (a) designating municipalities to which this Part applies;
- (b) prescribing conditions and limits with respect to the imposition of a tax under a by-law made under this Part;
- (c) prescribing persons and entities who are not subject to a tax imposed under this Part;
- (d) defining “vacant unit” for the purposes of this Part;
- (e) governing the collection of a tax imposed under this Part;
- (f) prescribing provisions of this Act that apply or do not apply for the purposes of this Part and providing for such modifications to those provisions as the Minister considers appropriate;

(g) governing the manner for apportioning an assessment that is attributable to vacant units;

(h) governing dispute resolution. 2017, c. 8, Sched. 19, s. 5.

Same

(2) On the recommendation of the Minister of Finance, the Lieutenant Governor in Council may make regulations defining any word or expression used in this Part. 2017, c. 8, Sched. 19, s. 5.

Retroactive

(3) A regulation under this section may be retroactive to a date not earlier than January 1 of the year in which the regulation is made. 2017, c. 8, Sched. 19, s. 5.

Conflicts

(4) In the event of a conflict between a regulation made under this section and a provision of any Act or regulation, the regulation made under this section prevails. 2017, c. 8, Sched. 19, s. 5.

Section Amendments with date in force (d/m/y)

Effect re: Part VIII

338.4 This Part does not limit the authority of a municipality under Part VIII (Municipal Taxation). 2017, c. 8, Sched. 19, s. 5.

Section Amendments with date in force (d/m/y)

Vacant Building By-Law

The City currently has a Vacant Building By-Law which was adopted in 2014, which is enforced and administered by By-Law Services. The primary intent of this By-Law is to ensure that vacant buildings are properly secured (boarded up) to prevent and control unauthorized entry. The By-Law also requires property owners to register their property and submit a registration fee of \$2,080 + administrative and inspections fees. The City collects approximately \$2,500 per vacant building for every four-year cycle, which must be re-registered after expiry. There is an incentive for owners to receive a refund equivalent to 25%



annually upon re-establishing occupancy of a vacant building. Experience has shown that the current registration fees are too low and there is not much incentive for property owners to redevelop their building.

Document Title:	Vacant Property Levy Program - 2021-15-Financial Services.docx
Attachments:	
Final Approval Date:	Feb 18, 2021

This report and all of its attachments were approved and signed as outlined below:

No Signature found

Mark A. Boileau - Feb 18, 2021 - 11:53 AM

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