

Region of Peel

Vacant Home Tax Final Report

April 2023



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# Table of Contents

	Page
1. Executive Summary	4
2. Vacant Home Tax Detailed Program Design	12
3. Financial Analysis	73
4. Next Steps	76
5. Appendix	80



# Executive Summary

## DESIGNING THE VACANT HOME TAX | REPORT PURPOSE

This report is intended to present the results of analysis performed through this engagement to design a Vacant Home Tax (VHT) in the Region of Peel.

The report outlines the process, findings, and conclusions of the development of a finalized program design with a delineation of responsibilities between the Region and local municipalities, detailed program parameters and updated cost estimates.

The program design presented in this report was developed based on multiple inputs including the initial feasibility study, public and industry stakeholder consultations, multiple engagements with Region and local municipality finance, legal and privacy, housing, and tax departments, and key insights from Canadian jurisdictions (such as Vancouver, Toronto, and Hamilton) that have implemented a Vacant Home Tax.

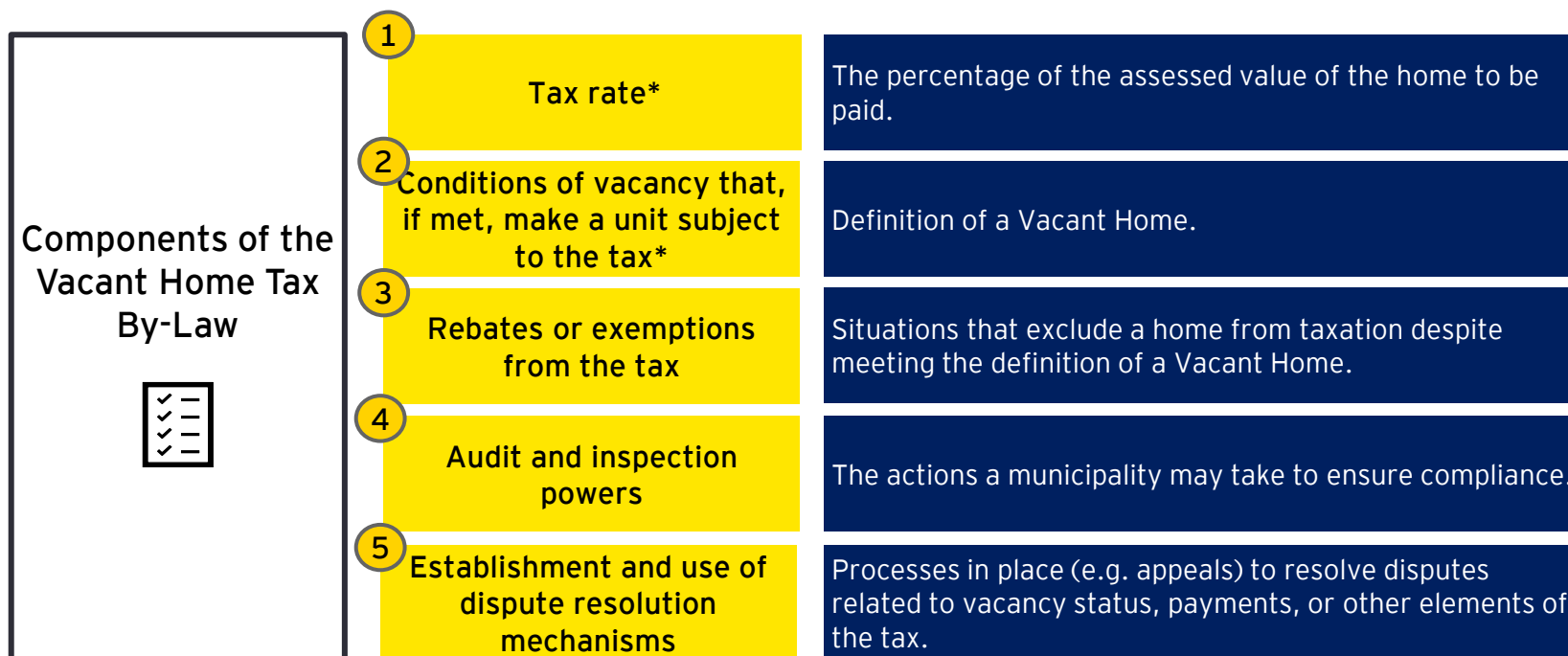
Further, additional considerations are identified to support the Region's implementation decision-making, including key risks and a potential implementation timeline.

# DESIGNING THE VACANT HOME TAX | CONTEXT AND BACKGROUND

There are a number of policy levers and revenue tools that can be explored by municipalities to address a housing affordability crisis - a tax on vacant homes being one of them. The tax is commonly implemented in rapidly growing urban centres which face challenges related to housing such as rapidly appreciating house prices (at a rate higher than the growth of income) or low availability of homes for sale or rent.

The objectives of a Vacant Home Tax are to be (1) a policy tool to improve housing affordability, and (2) a revenue tool to support housing programs.

In 2017, the Ontario government passed Bill 127 (“Stronger, Healthier Ontario Act”). Schedule 19 of the Bill included amendments to the Municipal Act to allow municipalities designated by the Minister of Finance by Regulation to implement a by-law imposing taxes on vacant residential units in certain circumstances. According to the Bill, any by-law passed by a municipality wishing to impose this tax should include the following:

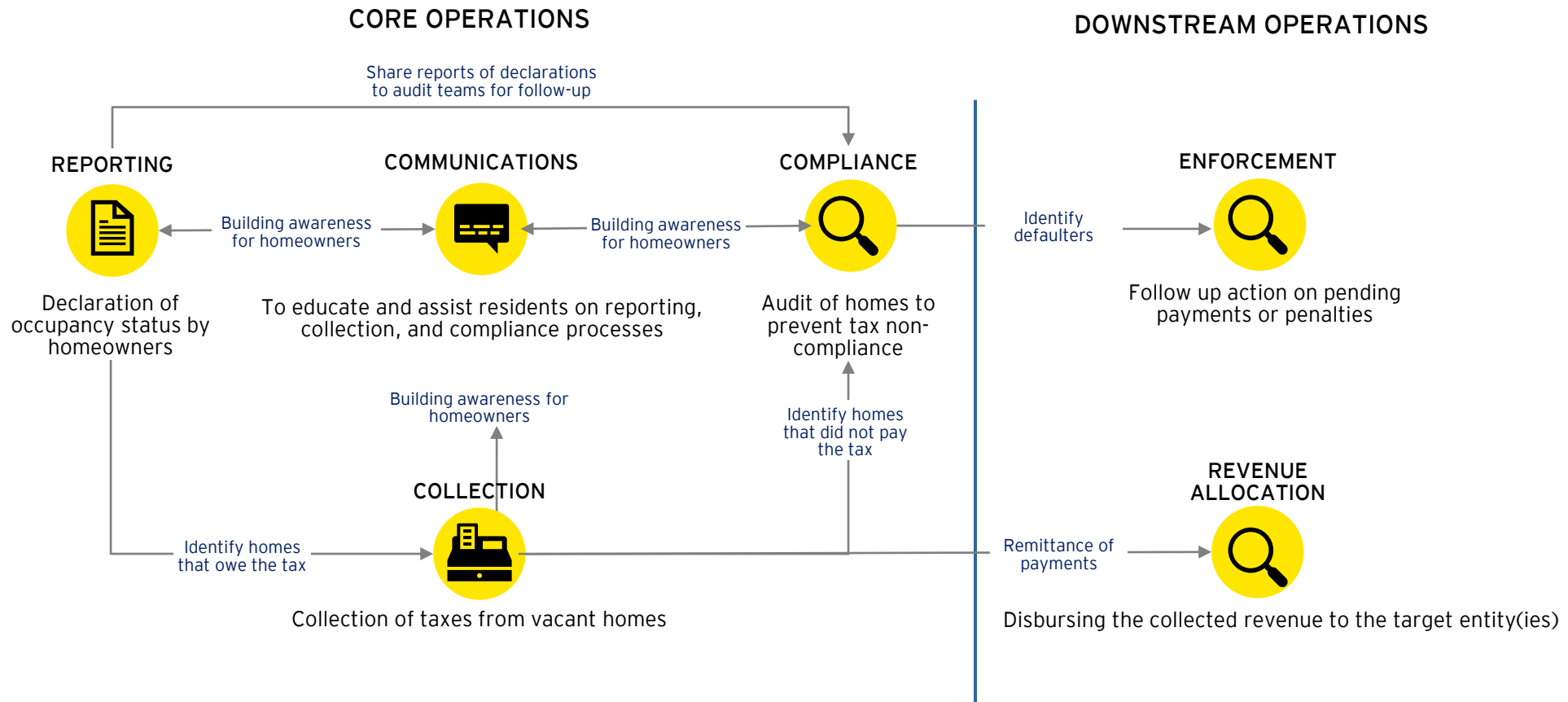


\* mandatory item



# VACANT HOME TAX DESIGN | CORE AND DOWNSTREAM OPERATIONS

Operations of the vacant home tax can be segmented into two major groups - core operations and downstream operations - as illustrated below. Core operations consist of functions that occur consistently and are required for the program to function effectively. Downstream operations are supporting (enforcement) or end-state (revenue allocation) functions that occur inconsistently (as-needed) or represent the output of the overall process, respectively.



# DESIGNING THE VACANT HOME TAX | APPROACH

The Region of Peel engaged EY to develop a detailed design of the Vacant Home Tax program including the people, processes, policy, technology, and governance associated with its operation. The program design described in this report includes:

1. Identification of key vacant home tax parameters including definition, tax rate, and other components
2. Designing a high-level process flow of reporting / identification of vacant homes
3. Developing a high-level process flow for audit and compliance activities
4. Designing an audit mechanism and approach, and identifying potential audit techniques
5. Finalizing exemptions from the vacant home tax
6. Outlining the grievance redressal mechanism
7. Refining implementation and operational cost assumptions to improve cost estimate certainty

The approach taken to developing a vacant home tax program design included the following:

## Review Existing Programs and Establish Baseline

- ▶ Engage municipalities that have implemented, or are in advanced stages of designing, a vacant home tax (e.g. Vancouver, Toronto)
- ▶ Identify detailed processes, parameters, and people design elements, including lessons learned
- ▶ Create baseline vacant home tax processes

## Stakeholder Consultations

- ▶ Consult with Region and Local Municipalities staff including from finance (tax), legal, compliance and enforcement, and legal to obtain inputs on program design
- ▶ Develop considerations to inform process and program design

## Preliminary Program Design

- ▶ Define program parameters
- ▶ Design reporting, collection, audit, and enforcement processes
- ▶ Identify staffing requirements

## Review and Validation

- ▶ Conduct reviews and workshops with the Region and local municipalities to revise and finalize program design components and assumptions



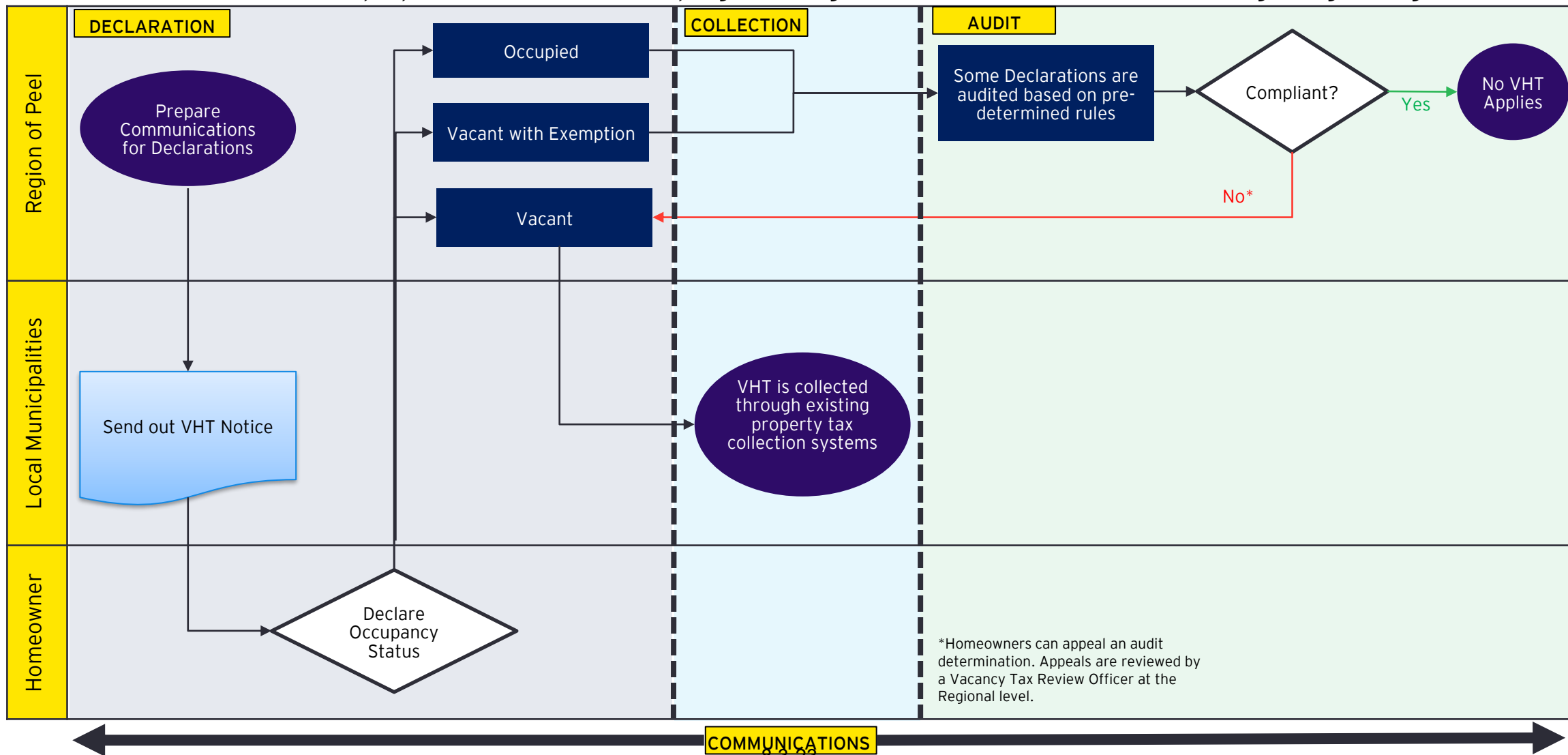
## VACANT HOME TAX DESIGN | DEFINITION AND PROFILE

While developing the policy and by-law for the vacant homes tax, municipalities are required to define what qualifies a home to be designated as vacant. Below are the parameters of the tax and the rationale for each in Peel.

Parameter	Rationale
<p><b><u>Definition:</u></b> Unoccupied for more than 184 days within the reference period</p>	Implemented by Toronto, Ottawa, Vancouver, Melbourne
<p><b><u>Tax rate:</u></b> Initial tax rate of 1%</p>	<p>Most common rate observed to be chosen by municipalities</p> <p><i>Note: Vancouver initially selected a 1% tax rate, and as of 2023 has increased the tax rate to 5%. Toronto has similarly selected a 1% tax rate for its initial implementation.</i></p>
<p><b><u>Reference Period:</u></b> Calendar year</p>	Similar to property taxes, the vacant home tax is calculated based on the assessed values of homes. Setting the reference period to a calendar year basis aligns with property tax calculation and collection schedules in local municipalities.

# DELIVERY MODEL | OVERALL PROCESS

Below is an overview of the final proposed Vacant Home Tax program design. Additional details can be found beginning on Page 30.

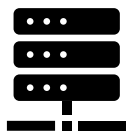


## VACANT HOME TAX DESIGN | KEY CONSIDERATIONS

Region and Local Municipal staff indicated concerns about IT systems, integration across declaration-collection-audit, and organizational audit capacity. The key themes of discussions with local stakeholders are included below and discussed in further detail in the corresponding operation section (i.e. Declaration, Collection, Audit & Compliance, Communications).



Region and local municipalities do not have systems with capability to receive declarations and integrate with collection.



Local municipalities are planning to change collection systems, with target completion dates ranging from 2023 (Caledon) to 2025 - 2029 (Mississauga and Brampton).



External-facing audit capability, including the systems and personnel to receive and verify documentation from residents, does not currently exist at the Regional or local municipal levels.



Additional data-sharing between local municipalities and the Region, beyond existing agreements, may be required in some audit scenarios and will inform the complexity and cost of associated IT systems.

# Vacant Home Tax Detailed Program Design

## DETAILED PROGRAM DESIGN | OVERVIEW

In Phase 2, EY facilitated (with the support of GHD) public consultations and developed and validated (with Peel and local municipalities) a detailed Vacant Home Tax program design with updated cost estimates. This section of the report provides an overview of the results of public stakeholder consultations and the detailed design of each core VHT function.



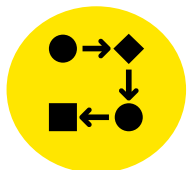
### Timeline

A timeline of consultations and research to support a detailed program design



### Insights from Consultations

A summary of insights from public, industry, and stakeholder consultations along with updated insights from other jurisdictions



### Flow of Responsibilities

An updated delineation of responsibilities between the Region and Local Municipalities

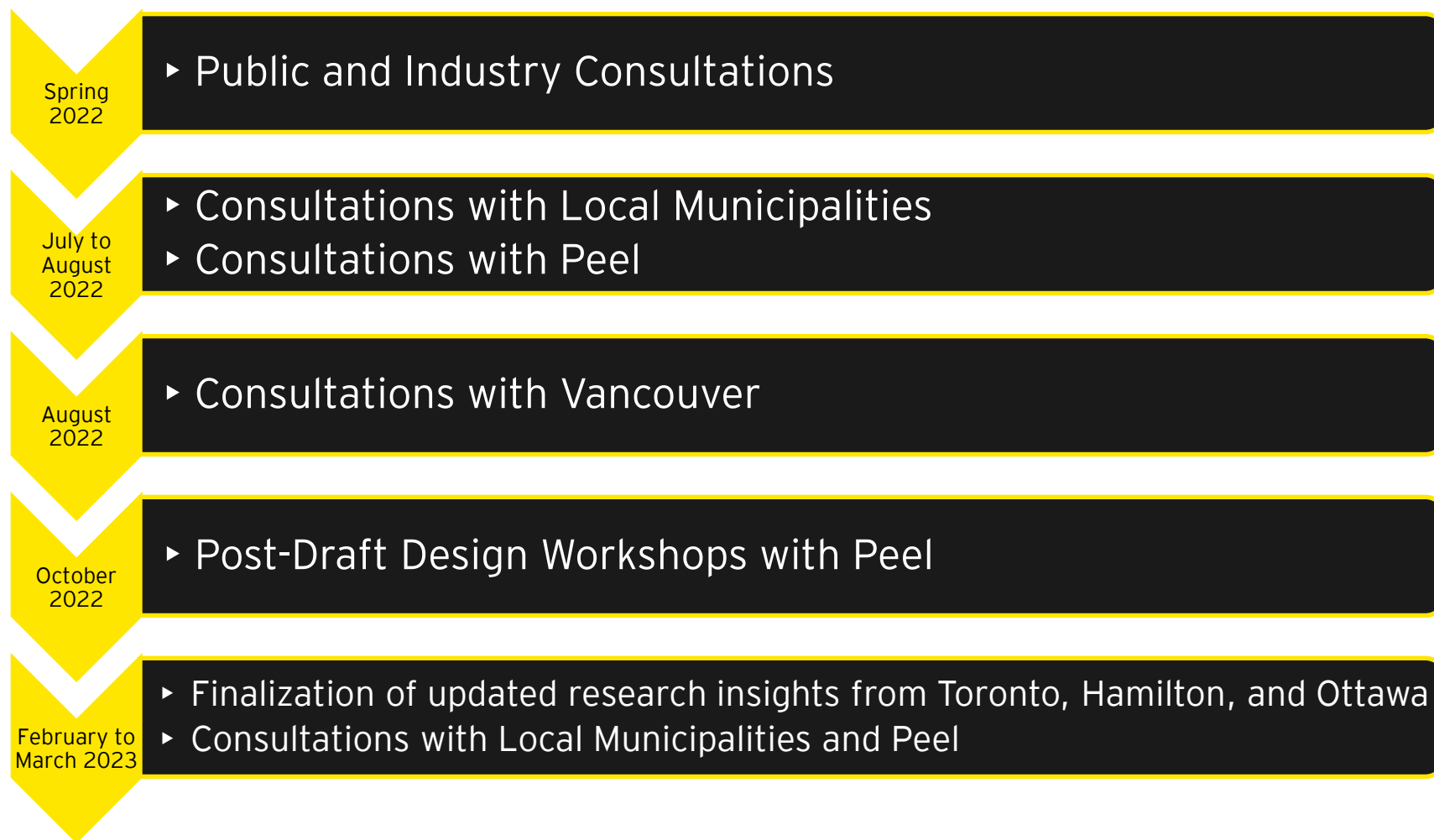


### Details for each Core Function

Process maps, rationale, detailed definitions, required changes, considerations, and risks for each core function of the VHT

## STAKEHOLDER CONSULTATIONS | TIMELINE

Below is a timeline of key activities undertaken during the second phase of the engagement to develop and validate the updated VHT program design.



8.3-27

# FINDINGS FROM STAKEHOLDER CONSULTATIONS

Throughout the engagement, the EY team conducted a number of stakeholder consultations to gain a deeper understanding of the desired outcomes, implementation considerations and potential risks of a Vacant Home Tax. Inputs obtained from the tax policy, housing, and communications stakeholders across the Region and the local municipalities informed decisions around the design of the vacant home tax. Below is a summarized and categorized list of findings from the interviews. Overall, the public consultations indicated relatively high support for a vacant home tax, with questions related to the details of the audit and enforcement components being addressed through the program design. Survey and townhall participants agreed that Peel is facing housing affordability challenges.

## Inputs on Identification of Vacant Homes

Identification of vacant homes should be non-invasive to avoid privacy concerns. The mode of self-declaration to identify vacant homes as adopted by Vancouver was indicated as viable by stakeholders

## Inputs on Implementation of the Tax

Stakeholders were open to the idea of a hybrid operating model where responsibilities of implementation were divided between the Region and local municipalities based on inherent efficiencies - this was based on the success of the existing stormwater levy collection program

## Inputs on Compliance and Auditing

A comprehensive compliance and auditing process will need to be established. Random audits were observed to be the most viable option based on stakeholder inputs. Implementation of a complaint line (for residents to flag details of vacant homes) similar to Vancouver was also suggested by stakeholders

## Inputs on Definition and Exemptions

Proper definition of a vacant unit, and exemptions should be made clear to the public to minimize unintended consequences. Note - Exemptions (E.g. snowbirds, construction, medical reasons, etc.) explored by Toronto and Vancouver were acceptable to stakeholders

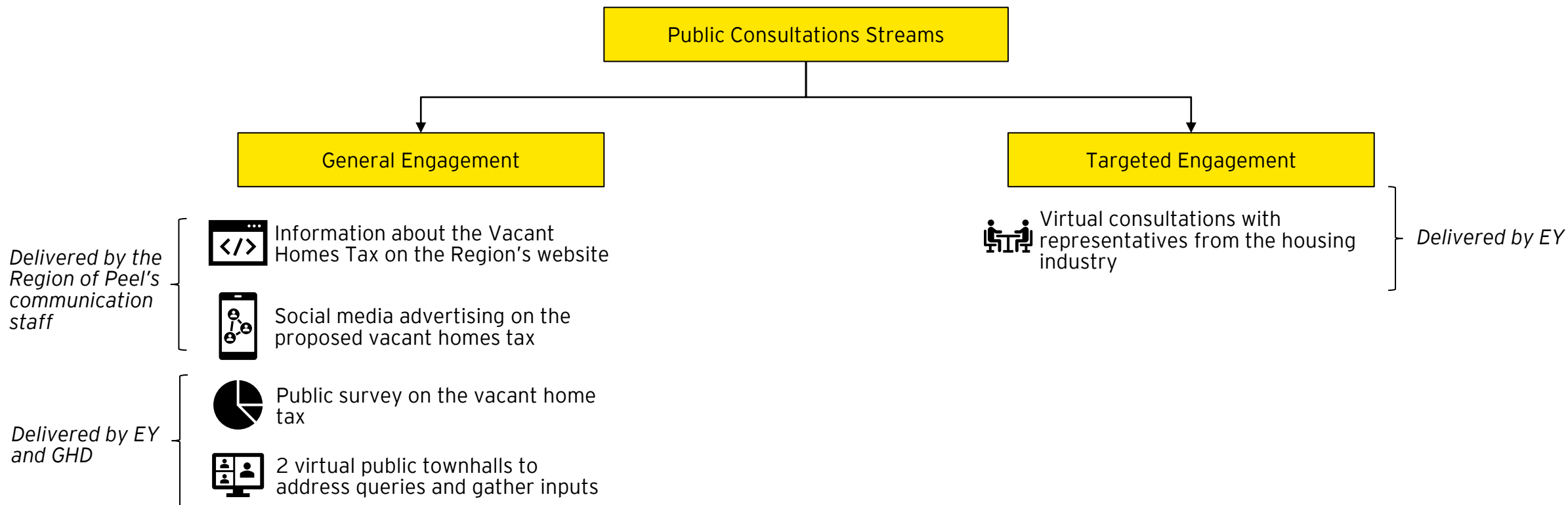


# PUBLIC CONSULTATIONS | OVERVIEW

Public consultations were designed to educate residents and solicit inputs on the Vacant Home Tax.

The objective of the public consultations program was to ensure all residents and impacted stakeholders were informed about the potential changes being explored, and are able to express their opinions to inform decisions around the tax policy/by-law design. EY conducted extensive consultations with the Region’s communications team to design and develop the objectives, channels, and target audience for the public consultations.

Two broad streams of public consultations were delivered by EY, supported by Regional Staff and GHD, as outlined below:



# PUBLIC AND INDUSTRY TOWNHALLS | TAKEAWAYS

Key discussion themes covered during the public townhall are summarized below.



Queries on the feasibility analysis (estimation of number of vacant homes, revenue projections etc.) were addressed by providing an overview of the methodology and key assumptions that were used to drive estimates



Details of the identification/declaration process were discussed by highlighting learnings from the City of Vancouver. However, participants were informed that decisions on the identification process are yet to be finalized as part of the program design.



High level overview of the compliance and auditing process were discussed to outline how these activities would be conducted in a manner that is respectful of the privacy of homeowners. Learnings from the City of Vancouver were shared with participants.



Details of the features of the tax such as tax rate, frequency of revision, penalty structure and list of exemptions were discussed by providing examples from the City of Vancouver case study, and outlining the analysis that the Region intends to undertake before finalizing the same.



Queries on timelines for launch of the Vacant Home Tax by-law and implementation were addressed by outlining the workplan for submission of stakeholder consultation findings, program design, and other recommendations for Council approval in 2024. This indicates a potential implementation in 2025, subject to Council and Ministry approval.

## TOWNHALL POLL RESULTS

**70%+** Townhall participants agreed that Peel Region is facing housing affordability challenges

**50%+** Townhall participants supported the proposal of a vacant home tax in Peel Region

**81%** Townhall participants agreed that proceeds from a vacant home tax may be allocated towards affordable housing initiatives

# PUBLIC CONSULTATIONS | SURVEY

Public consultations were designed to educate residents and elicit inputs on the Vacant Home Tax.

A survey\* was hosted on the Region of Peel website from April 14<sup>th</sup> - May 14<sup>th</sup> 2022, and advertised through the Region’s social media channels. The objective of the survey was to understand the level of support for the vacant home tax among residents of the Region and obtain inputs that may help guide the development of the program design for the tax. Highlights of the survey are provided below.

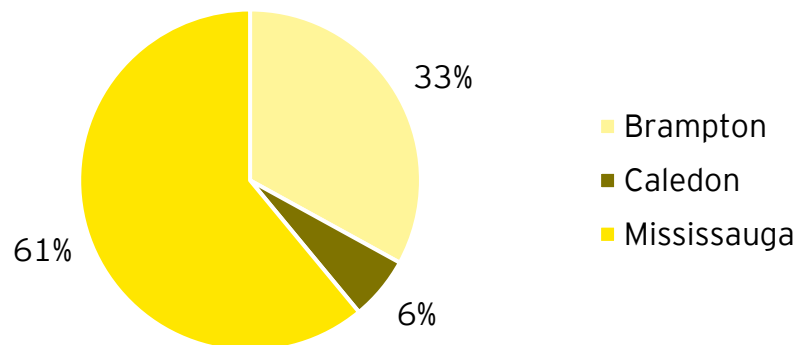
4000

Respondents

85.2%

Respondents who own a principal residence in Peel Region

Primary residence location of respondents



## WHAT WE HEARD

86%

Respondents agree that Peel Region is facing challenges with housing affordability

57%

Respondents agree that the number of vacant homes in Peel is negatively impacting the supply of affordable homes in Peel

68%

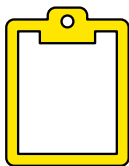
Respondents support the implementation of a Vacant Home Tax to address housing challenges in the Region of Peel

\*Participation in the survey was on a voluntary basis, and information provided could not be verified for accuracy.

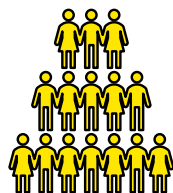
## PUBLIC CONSULTATIONS | PUBLIC AND INDUSTRY TOWNHALLS

On April 26<sup>th</sup> and May 3<sup>rd</sup> 2022, EY, supported by GHD, hosted two public consultation sessions to inform the public about EY's analysis and findings related to the potential introduction of a Vacant Home Tax at the Region of Peel. The objective of the consultations was to provide an opportunity to address any queries that the public may have around the rationale, implementation, and operations of the Vacant Home Tax. It was also a platform to understand general level of support for the tax and other key considerations to be taken into account while designing the Vacant Home Tax by-law

### Consultation Highlights



4000+ survey respondents



49 attendees from general public and stakeholders



2 presentations to industry stakeholders by Regional Staff and EY



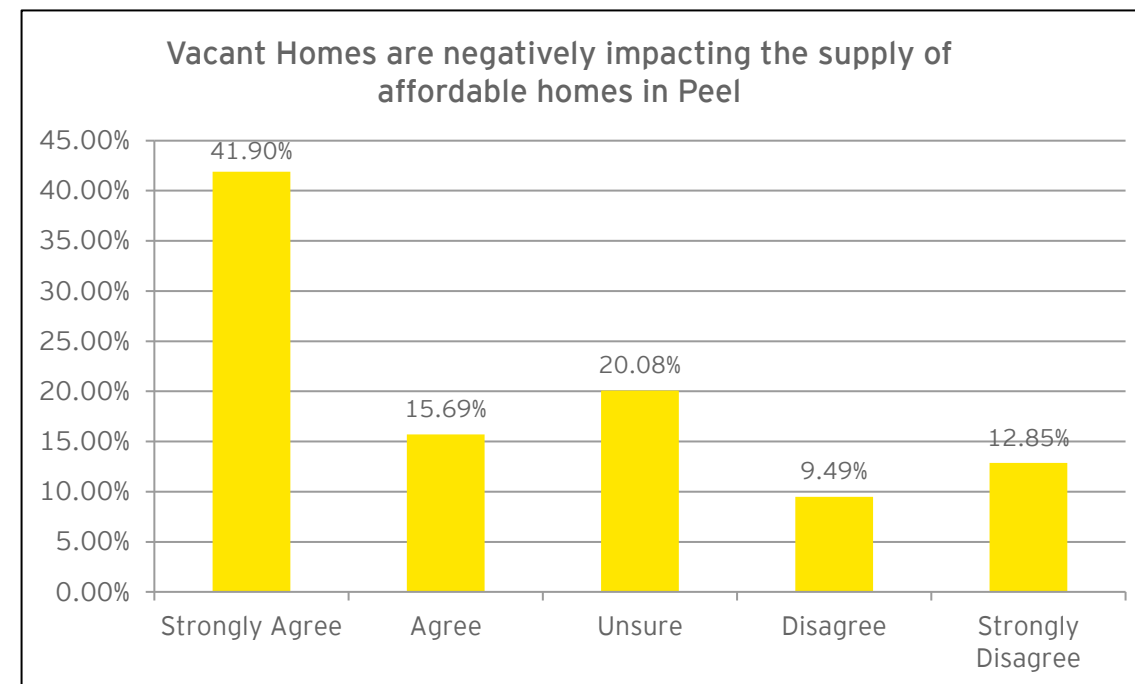
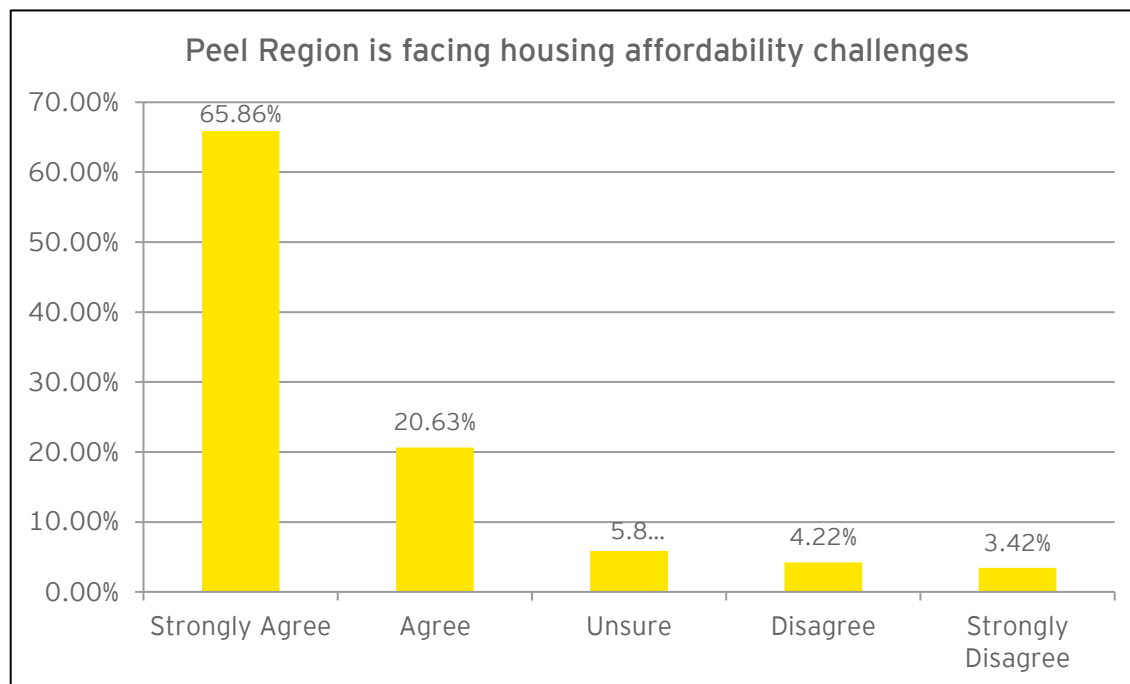
4 polls conducted to gauge public opinion



50+ questions addressed by Regional Staff and EY

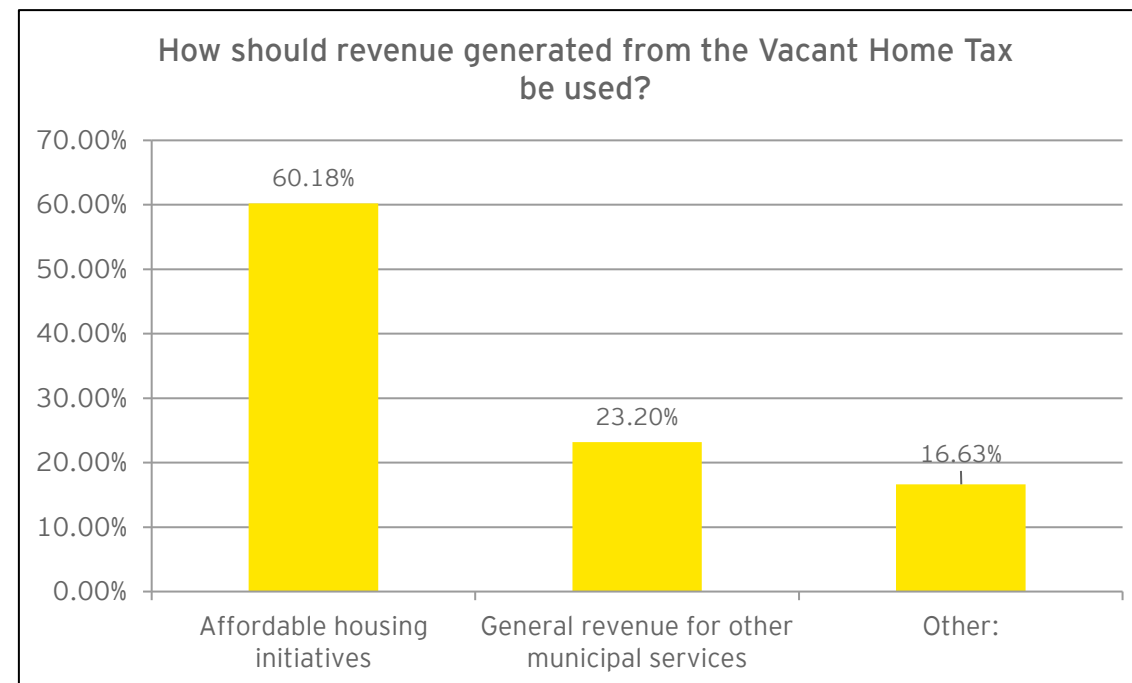
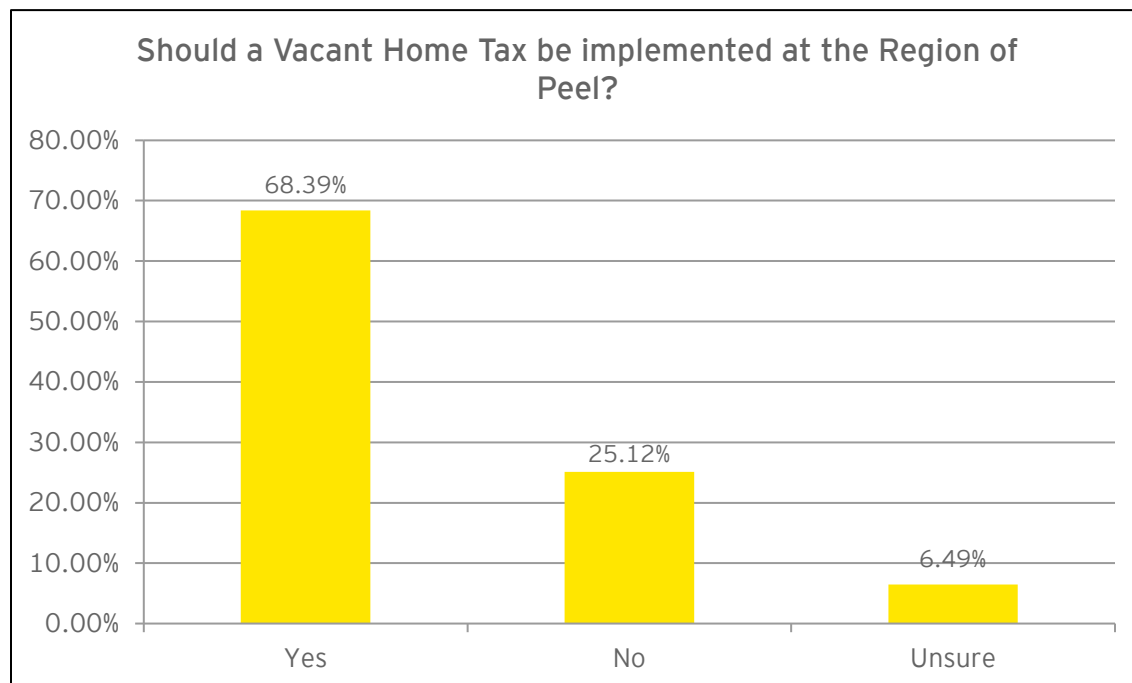
## SURVEY FINDINGS | AFFORDABILITY CHALLENGES IN PEEL

Over 85% of the respondents to the survey agreed that the Region of Peel is facing affordability challenges. This is in line with the findings presented by EY in the feasibility study outlining how the growth in rent and sale prices at the Region have far exceeded the growth in incomes (Between 2011-21, average income in Peel has grown by 22%, while rent and sale prices have grown by 40% and 162% respectively). 57% of the respondents agree that vacant homes are prevalent across the region and contribute to housing affordability challenges in Peel. The broad consensus that vacant homes negatively impact supply of affordable housing provides support to the rationale for a vacant homes tax at Peel.



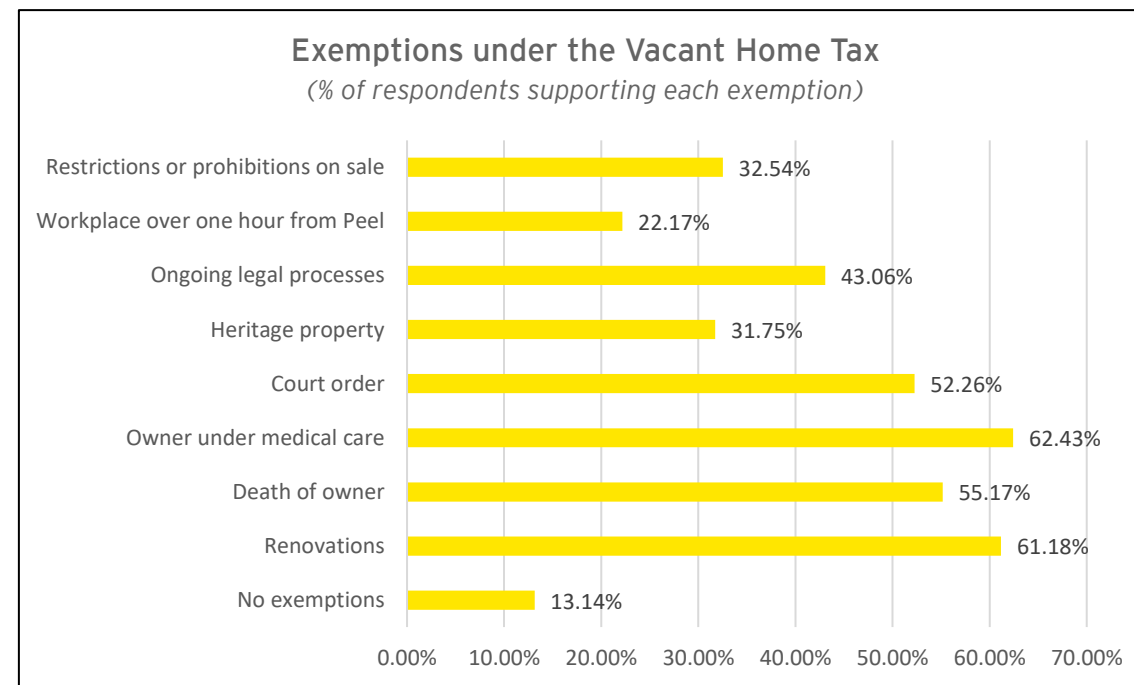
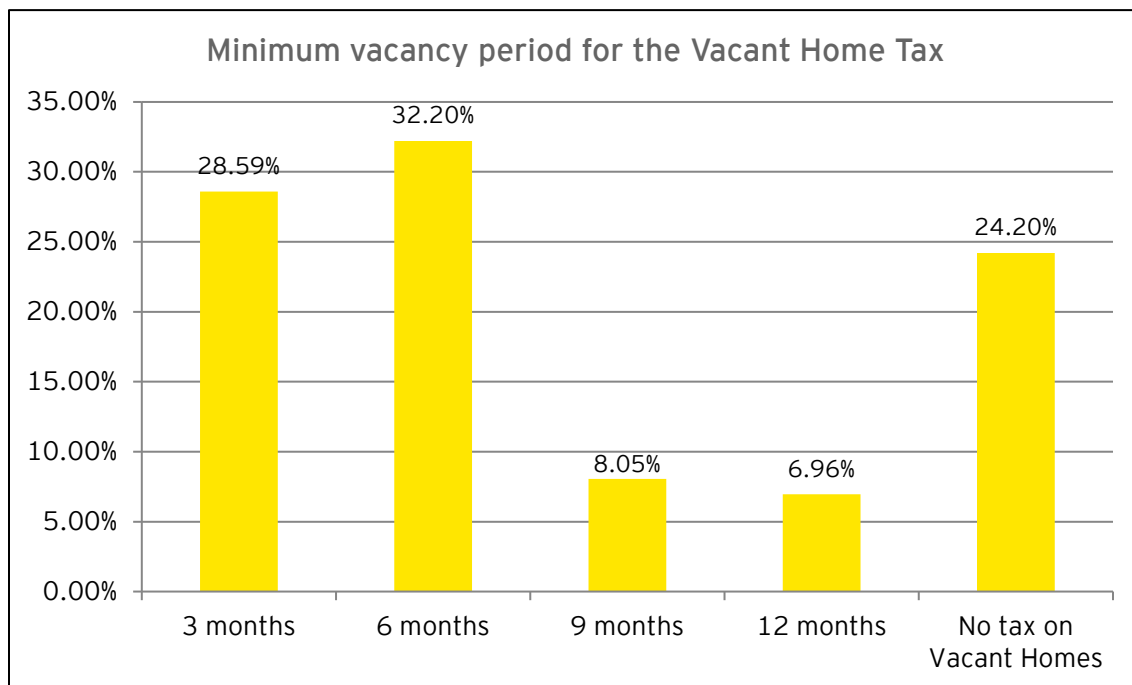
## SURVEY FINDINGS | SUPPORT FOR VACANT HOME TAX

68% of the respondents supported the idea of a vacant home tax in Peel. This is comparable to the response received by the City of Toronto for a similar survey conducted to gauge the support for a vacant home tax (73% of residents in Toronto supported the tax). Over 60% of the respondents agreed that revenue from the vacant home tax must be allocated towards affordable housing initiatives. This indicates that the public may welcome a tax that seeks to ease housing availability and affordability challenges at the region, as long as the proceeds are directed towards a tangible goal. It is also consistent with the objectives laid down by the Ministry of Finance in the enabling legislation for municipalities.



# SURVEY FINDINGS | SCOPE AND EXEMPTIONS FOR VACANT HOME TAX

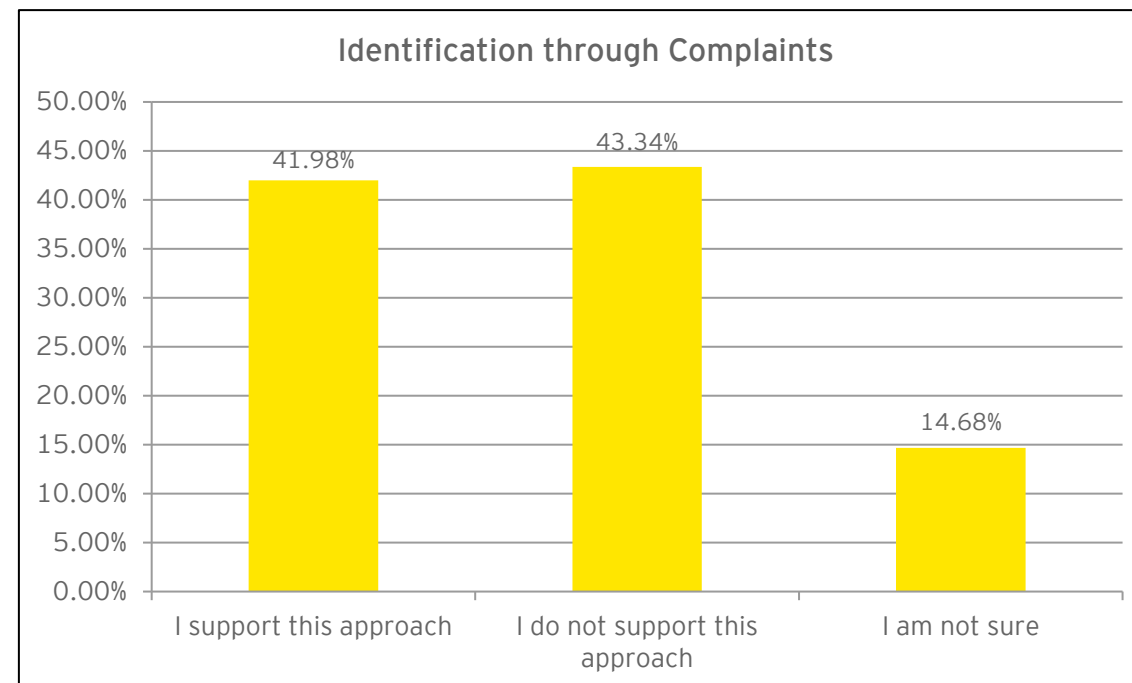
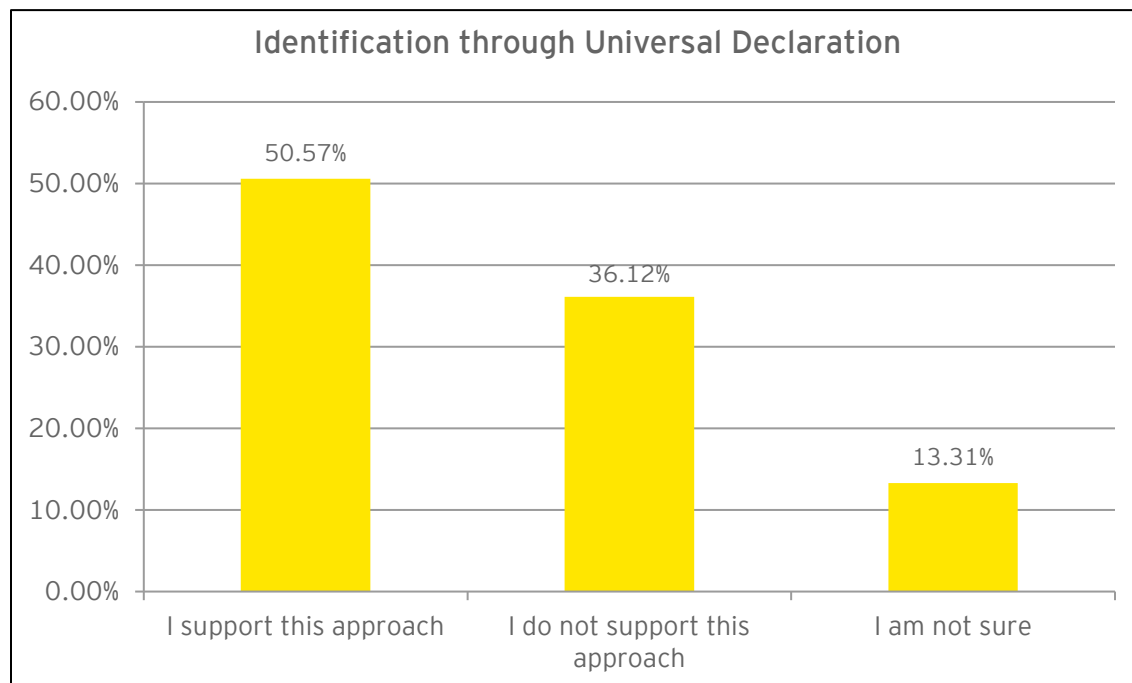
A majority of respondents (32%) preferred imposing the vacant homes tax on properties that are unoccupied for more than 6 months. 28% of the respondents also supported imposing the tax on properties that are vacant for less than 3 months. However, the 6 month vacancy threshold is most commonly observed among municipalities that have implemented or are considering to implement the vacant homes tax (Vancouver, Melbourne, Toronto etc.).





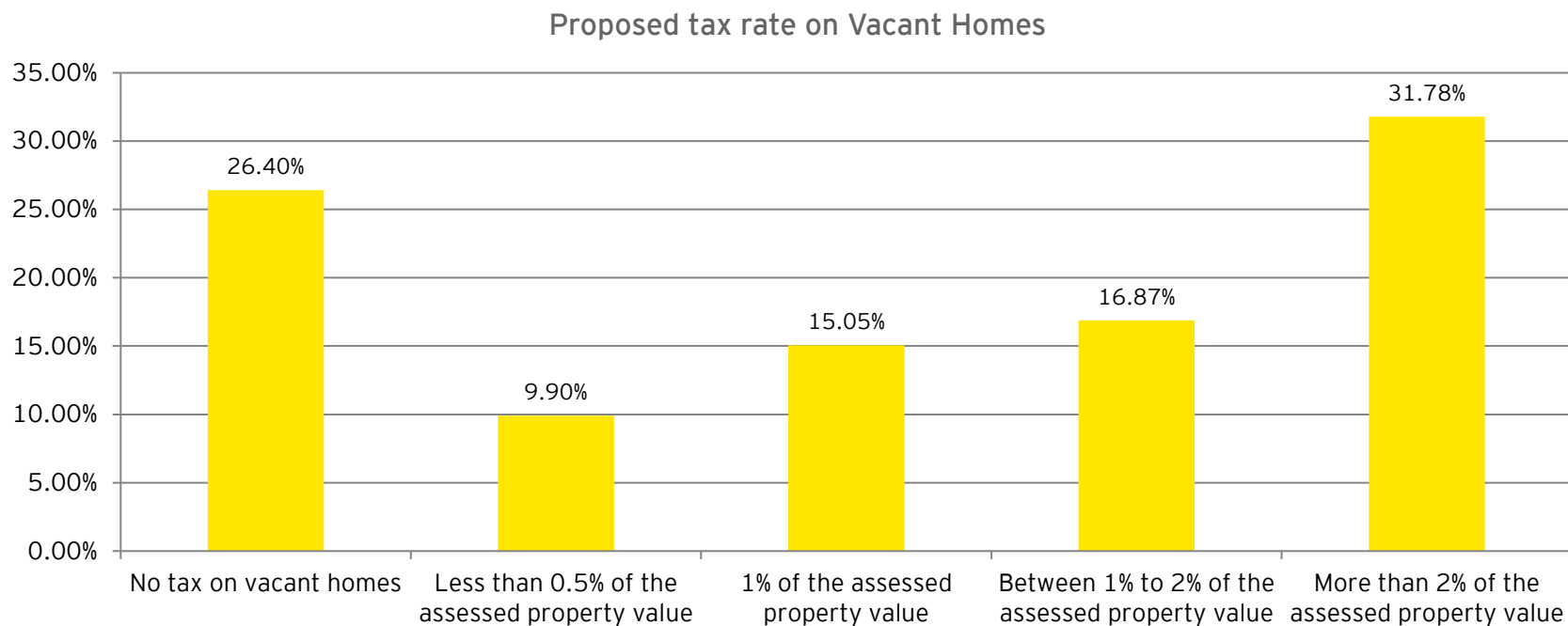
## SURVEY FINDINGS | IDENTIFICATION OF VACANT HOMES

Over 50% of respondents supported the Universal Declaration method for identification of vacant homes. By this method, all homeowners in Peel would have to mandatorily submit a declaration indicating whether their home was vacant or occupied over the previous calendar year. This is the most common method for identification of vacant homes adopted by municipalities that have implemented the vacant home tax (e.g. Vancouver). While more respondents disagreed with the approach of identifying vacant homes through complaints submitted by other residents (e.g. neighbours), this method may still be considered as a secondary means of identification as it has generated positive results in ensuring compliance in Vancouver.



## SURVEY FINDINGS | TAX RATE

A majority of respondents (32%) supported a tax rate of >2% on the assessed value of vacant homes. However, municipalities that have implemented the tax have initiated it with a 1% tax rate to evaluate the response in terms of revenue generation and conversion of vacant homes for rent/sale. Based on the observations over a 1-2 year period, municipalities may make decisions to increase or decrease the tax rate. A 2% tax rate is over two times existing property tax rate (0.877%), and hence may be perceived negatively and create higher non-compliance. Hence, Peel may consider initiating the tax with a 1% tax rate, and then re-evaluate on an annual basis to identify opportunities for rate revision.



# UPDATED INSIGHTS FROM OTHER JURISDICTIONS

Since the beginning of this engagement, other jurisdictions have updated the design of their Vacant Home Tax programs. The following is a summary of updated insights from other Canadian jurisdictions.\*

	Vancouver**	Toronto	Hamilton	Ottawa
Definition	Residential property is considered to be vacant property if it has been unoccupied for <b>more than six months</b> during the vacancy reference period it is deemed to be vacant property in accordance with this by-law	A property is considered vacant if it is not the principal residence of the owner or any permitted occupants or was not occupied by tenants for <b>at least six months</b> during the previous calendar year or is otherwise deemed to be vacant under the bylaw	Vacant Residential Unit: A residential unit that has been unoccupied for <b>more than 183 days</b> during the previous calendar year or is deemed vacant by the City of Hamilton.  Unoccupied Property: A residential unit is unoccupied when it is not the principal residence of the owner or a permitted occupier and is not occupied for residential purposes by one or more tenants for <b>more than 183 days</b> during the previous calendar year.	A property is considered vacant if it has been unoccupied for <b>more than the aggregate of 184 days</b> during the previous calendar year, is not the Principal Residence of an Occupier, and it is not occupied for residential purposes by a Tenant under a Tenancy Agreement, or by a subtenant under a Sublease Agreement, for a term of at least 30 consecutive days; or it is deemed to be a vacant unit by the City of Ottawa in accordance with this by-law.
Tax Rate	1% (2017-2019), 1.25% (2020), 3% (2021-2022), 5% (2023)	1%	1%	1%
Declaration & Reporting	<ul style="list-style-type: none"> <li>Online</li> <li>Declaration due in February</li> <li>Exemptions: Death of Owner; Renovations; Combination Exemption; Owner in Care; Strata Rental Restriction; Transfer of Property; Occupancy for Full-Time Employment; Court Order; Limited-Use Residential Property</li> </ul>	<ul style="list-style-type: none"> <li>Online and paper declaration form</li> <li>Notice issued in March/April</li> <li>Exemptions: Death of Owner; Renovations; Owner in Care; Transfer of Property; Occupancy for Full-Time Employment; Court Order</li> </ul>	<ul style="list-style-type: none"> <li>Declarations are mailed in December and are due in March the following year</li> <li>Exemptions: Death of Owner; Renovations; Sale of Property; Owner in Care; Court Order</li> </ul>	<ul style="list-style-type: none"> <li>Online and in-person declaration</li> <li>Declaration due in March</li> <li>Exemptions: Sale of Property; Court Order; Death of Owner; Owner in Care; Renovation; Combination Exemption; Cottage Rental</li> </ul>
Collection	<ul style="list-style-type: none"> <li>Payment is due in April</li> </ul>	<ul style="list-style-type: none"> <li>Payment collected in three installments: May, June, and July</li> </ul>	<ul style="list-style-type: none"> <li>Payments collected in two installments: June and September</li> </ul>	<ul style="list-style-type: none"> <li>Payment collected in June</li> </ul>
Audit & Compliance	<ul style="list-style-type: none"> <li>Risk-based and random audits</li> <li>Notice of Complaint reviewed by Vacancy Tax Review Officer and final appeal reviewed by Vacancy Tax Review Panel</li> </ul>	<ul style="list-style-type: none"> <li>Random or specific-criteria audits</li> <li>Notice of Complaint reviewed by the City and final appeal reviewed by Appellate Authority</li> </ul>	<ul style="list-style-type: none"> <li>Random and specific-criteria audits</li> <li>Notice of Complaint reviewed by Program Administrator and final appeal reviewed by Appellate Authority</li> </ul>	<ul style="list-style-type: none"> <li>Specific-criteria audits</li> <li>Notice of Complaint and Request for Review (final appeal) reviewed by an independent reviewer</li> </ul>

NOTE: Information is current as of March 2023. All jurisdictions listed are single-tier municipal governments and may have different considerations than the Region of Peel's two-tier government.

\*\* Vancouver's 2022 Empty Homes Tax Annual Report cites a 20% reduction in vacant properties from 2020 to 2021. Additionally, 49% of properties declared, deemed, or determined vacant in 2020 were occupied in 2021.

## FLOW OF RESPONSIBILITIES | HYBRID DELIVERY

The Program Design differs slightly from the proposed Delivery Model in the Feasibility Study, primarily in Declaration & Reporting. The table below explains the differences and rationale behind them. More detailed rationale is included in individual process sections.

Process	Change from Feasibility Study	Rationale
<b>Declaration &amp; Reporting</b>	Assigned to the Region of Peel rather than the local municipalities	According to the IT, legal, privacy, finance, and tax departments of Peel Region and local municipalities, a single regional system is: <ul style="list-style-type: none"> <li>• Likely more cost-effective than three independent municipal systems</li> <li>• Strengthens data security and reduces need for data sharing</li> <li>• Ensures consistency from residents of all local municipalities when submitting declarations</li> </ul>
<b>Audit &amp; Compliance</b>	<b>No change</b> - remains with the Region of Peel	According to the IT, legal, privacy, finance, and tax departments of Peel Region and local municipalities as well as the enforcement departments at the local municipalities, a single central audit system at the Region: <ul style="list-style-type: none"> <li>• Ensures consistency, prevents system redundancy, and supports cost recovery</li> <li>• System complexity and the likelihood of data breaches is likely to be lower</li> </ul>
<b>Collection</b>	<b>No change</b> - process remains with the local municipalities	According to the tax departments at Peel Region and local municipalities as well as the Region's Legal department: <ul style="list-style-type: none"> <li>• Local municipalities may use existing systems and processes for Property Taxes with the required functionality enhancements to collect the Vacant Home Tax</li> </ul>
<b>Communication</b>	Although mostly residing with the Region, local municipalities will support some communication	According to communications departments of Peel Region and local municipalities: <ul style="list-style-type: none"> <li>• The Region does not have the capacity to directly interact with the public. As such, local municipalities can support in handling initial inquiries, redirecting requests to the Region, and issuing VHT-related notices</li> </ul>

# DELIVERY MODEL | FLOW OF RESPONSIBILITIES

The delivery model has been designed to leverage the authorities, capabilities, and capacities of each municipal partner to maximize effectiveness and reduce operational complexity and cost. This model assigns declaration notices and revenue collection responsibilities to local municipalities in order to leverage existing property tax collection systems, while centralizing declaration system, audit, and customer service/communications responsibilities at the Regional level.

## HOW IT WOULD WORK

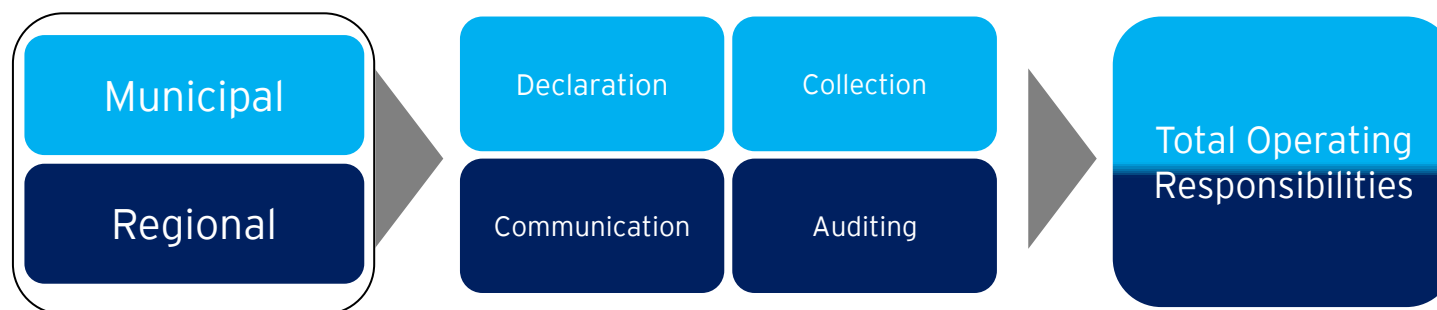
- ▶ The local municipalities would be responsible for sending declaration notices on behalf of Peel, and for collecting the tax from owners of vacant homes (declared or deemed). The Region would be responsible for establishing and managing the declaration system, establishing and overseeing audit and compliance activities and systems, and managing customer service for residents.
- ▶ The local municipalities would leverage existing property tax collection systems and processes with the required functionality enhancements to assess, impose, and collect a vacant home tax on properties that have been declared as vacant by the homeowner or deemed as such through subsequent audits.
- ▶ While the Region would be responsible for auditing declarations, it would coordinate with local municipalities to collect arrears using existing collection and enforcement tools.



# FLOW OF RESPONSIBILITIES | HYBRID DELIVERY

Recall that in the Feasibility Study, the Hybrid Delivery Model assigns reporting and revenue collection responsibilities to the municipalities, in order to leverage existing property tax collection systems - while centralizing audit and customer service/communications responsibilities at the Regional level.

## FEASIBILITY STUDY | RESPONSIBILITY

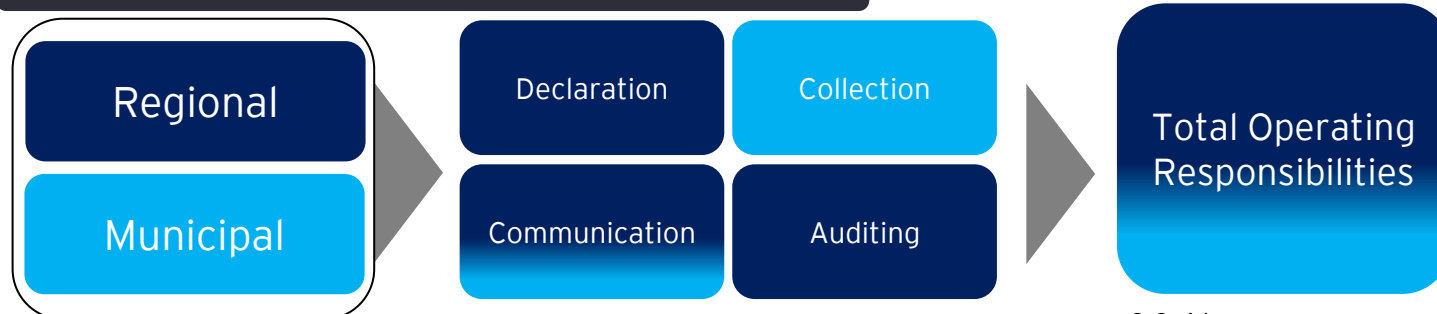


Municipalities will be responsible for declarations and collecting the tax revenue. Communications, customer service, and audit/compliance responsibilities would be centralized at the Regional level

The Draft Program Design changes two main aspects of the Delivery Model:

1. It assigns reporting and declaration to the Region; and
2. Although communications is centralized at the Region, Municipalities will support some communication (front desk and mailing notices).

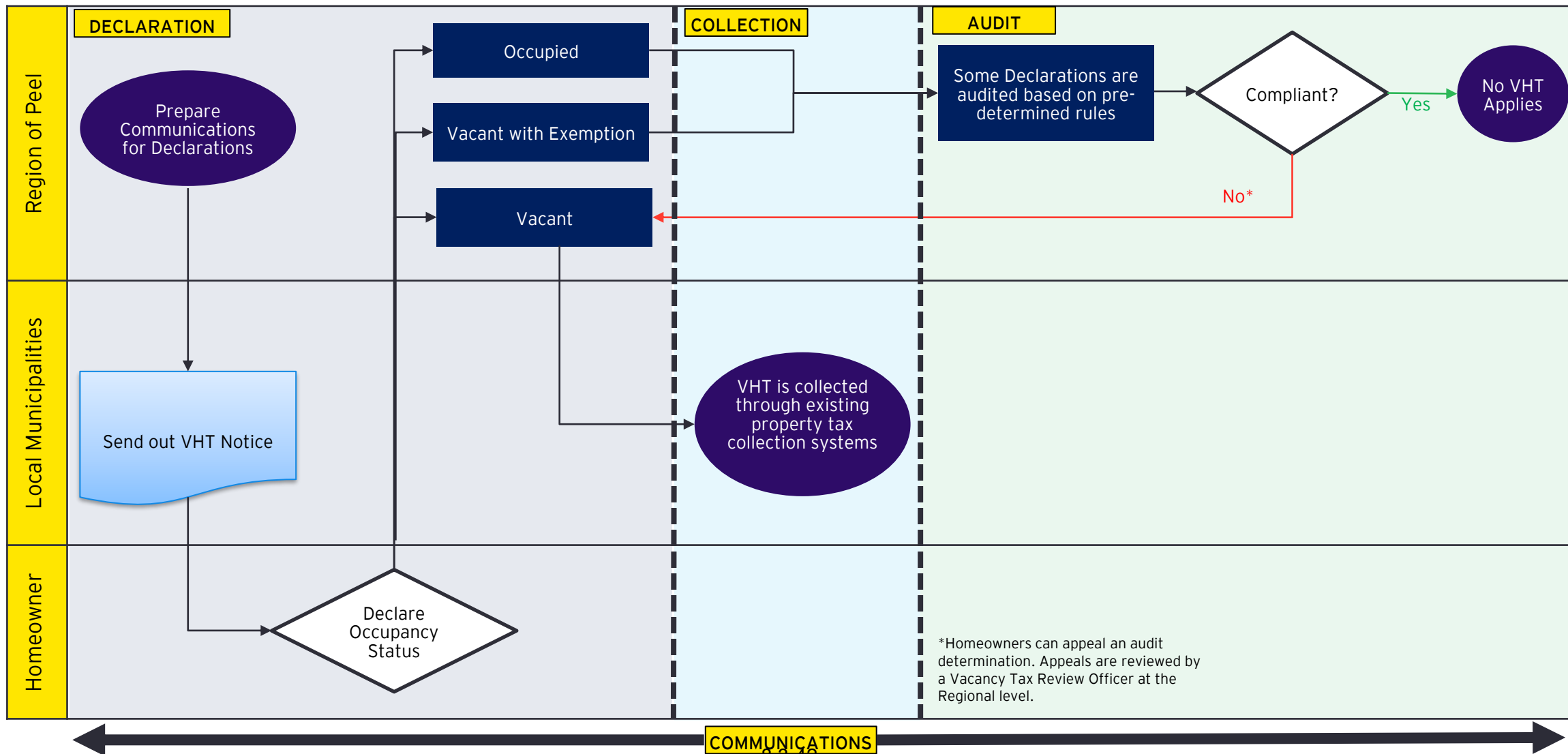
## PROGRAM DESIGN | RESPONSIBILITY



Municipalities will be responsible for sending out VHT Notices along with Property Tax Notices either separately or together, and collecting the tax revenue. Communications, customer service, declarations and audit/compliance responsibilities would be centralized at the Region.

8.3-41

# DELIVERY MODEL | OVERALL PROCESS

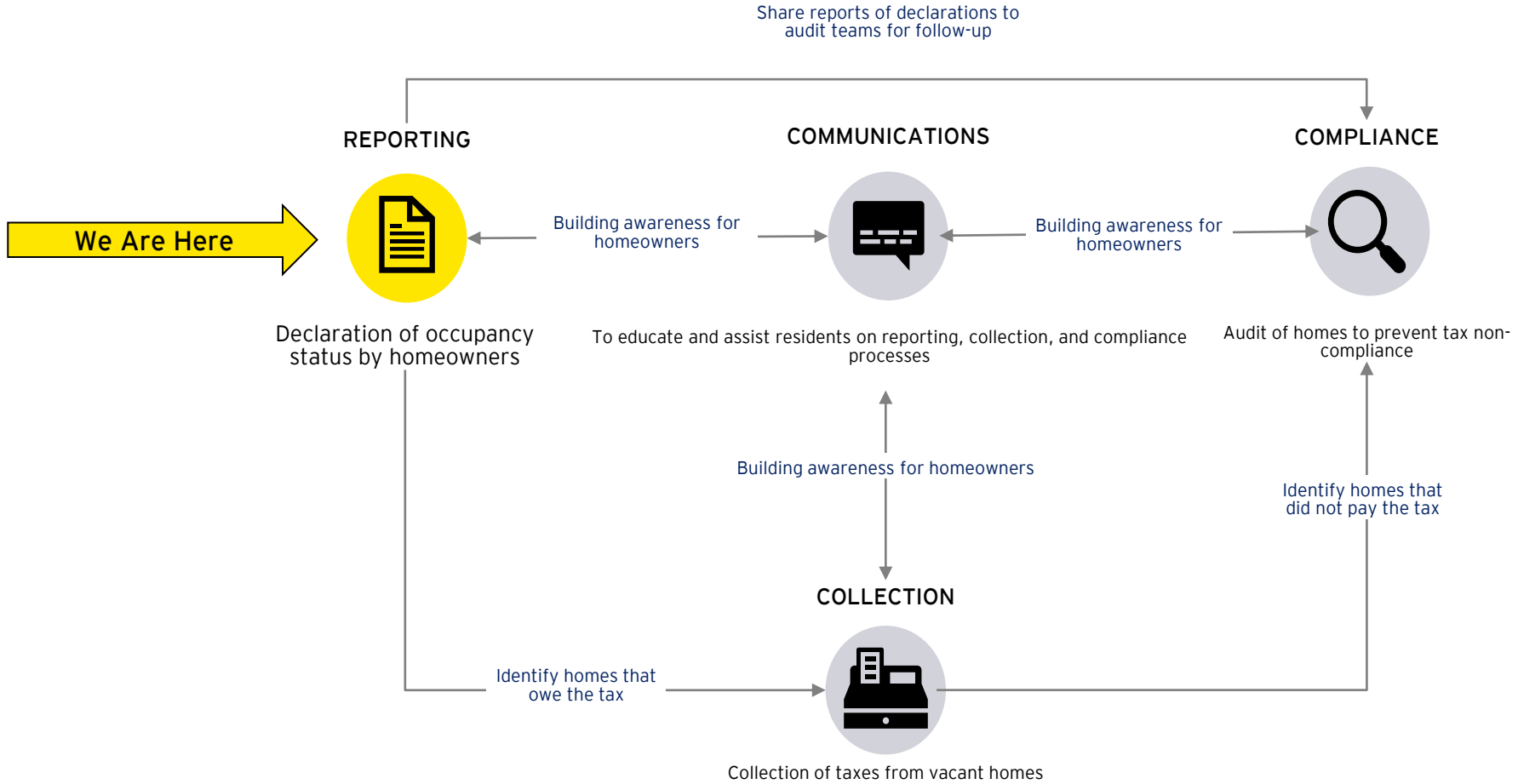


8.3-42



# DECLARATION & REPORTING

## CORE OPERATIONS



## DECLARATION & REPORTING

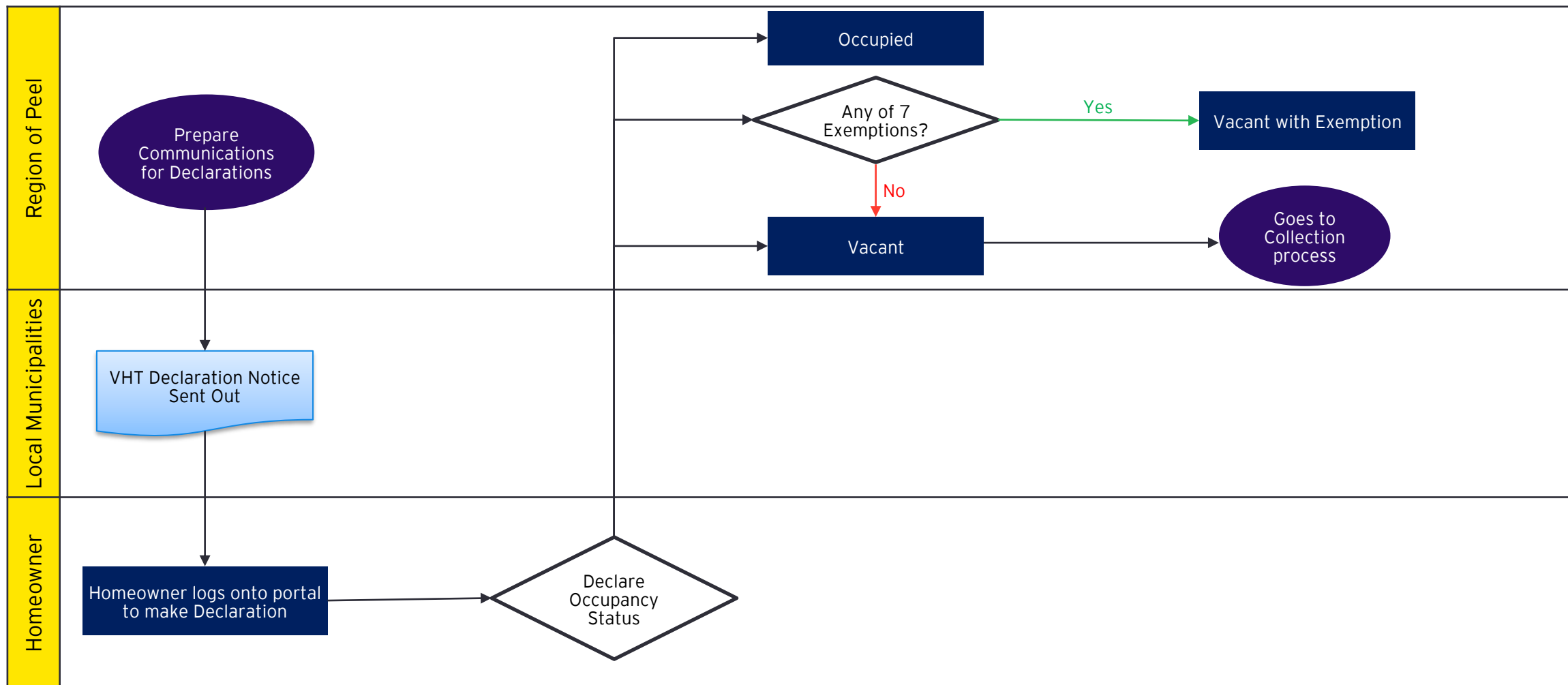
The first step in the Vacant Home Tax process requires homeowners to declare the occupancy status of their homes.

The Declaration & Reporting process is the initial step in core vacant home tax operations:

- All Peel homeowners are required to declare whether a home is occupied as a principal residence, vacant with exemption, or vacant.
- A notice informing the homeowner of the requirement to declare the home's occupancy status is sent by local municipalities.
- Homeowners enter and confirm their declaration through a Region-administered declaration portal.
- Homes declared vacant, or deemed vacant through the Audit & Compliance process, will proceed to the Collection process.
- Homes declared occupied, or confirmed occupied through the Audit & Compliance process, will not proceed beyond Declaration.

# DECLARATION & REPORTING | PROCESS

The process of identifying vacant homes in the Region through declarations reported by homeowners is outlined below.




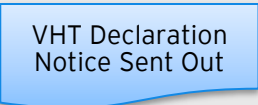
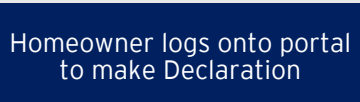


8.3-45

## DECLARATION & REPORTING | RATIONALE



The Feasibility Study recommended that Declaration and Reporting lie with the local municipalities. Based on consultations with the Region of Peel and the local municipalities, it is more cost-effective and strengthens data security, for the Declaration & Reporting system to be housed at the Regional level.

- ▶ Although the Feasibility Analysis recommended that local municipalities be responsible for Declaration and Reporting, it was indicated by IT departments at local municipalities and Peel Region that a single system held at the regional level is likely to be more cost-efficient than three independent local Declaration systems.
- ▶ Neither local municipalities nor Peel Region identified existing declaration or reporting capacity that can be used for implementation of a Vacant Home Tax. As such, it was concluded that it would be more costly to build, and more complex to integrate, three independent Declaration systems rather than a single system at the Regional level. The consensus among all municipalities was that this would also ensure consistency of presentation to, and results from, homeowners of all three local municipalities when submitting declarations.
- ▶ While the Region of Peel would prepare communications for declaration, tax departments at local municipalities indicated they may be able to use existing Property Tax Notice processes to distribute Declaration Notices for the Vacant Home Tax, pending further assessment and finalization of tax parameters.

## DECLARATION & REPORTING | KEY COMPONENTS

Legend	Description
	<p>Create written communication for dissemination to homeowners indicating the requirement and deadline to declare status, instructions to access the declaration system (including account number and access code), and contact information for outstanding questions or concerns.</p>
 	<p>The Region of Peel will identify homeowners from Tax Roll Information that is currently retained by local municipalities as part of their Property Tax billing systems, as they have the most updated information reflecting current assessment values. In addition, the Region may use the MPAC's Property Codes to determine eligible residential properties.</p> <p>Using Tax Roll Information and MPAC Property Codes, local municipalities send out declaration notices.</p>
	<p>Homeowners log onto the declaration website using the Account Number and Access Code provided in their notice. Before declaring property status, homeowners must first acknowledge that the municipality will collect evidence required for the initial reporting, audit and compliance for the purpose of imposing the Vacant Home Tax. The Declaration is then entered along with any supporting information required (e.g. when declaring a vacant home with exemption).</p>
	<p>Home has been declared occupied as a principal residence and no tax applies. Home may be selected for audit to verify status.</p>

# DECLARATION & REPORTING | KEY COMPONENTS

Legend	Description
 <p>Any of 7 Exemptions?</p>	<p>Homeowners may select from any of the following seven (7) exemptions:</p> <ol style="list-style-type: none"> <li>1. Transfer of Property</li> <li>2. Redevelopment or Major Renovation</li> <li>3. Property of Owner in Care</li> <li>4. Occupancy for Full-Time Employment</li> <li>5. Court Order</li> <li>6. Death of Owner</li> <li>7. Combination Exemption</li> </ol> <p>If any of the above apply to the home, the homeowner must provide the <u>corresponding information</u> and declare the exemption to which no vacant home tax applies. Exemptions are audited.</p> <p>If none of the above exemptions applies, the homeowner declares the home to be Vacant.</p>
 <p>Vacant</p>	<p>Home has been declared vacant and the tax applies. The home proceeds to the Collection process where a vacant home tax is applied and collected.</p>

## DECLARATION & REPORTING | CHANGES REQUIRED

The proposed declaration and reporting process requires primarily technological changes in the form of sourcing a declaration system.

	PEOPLE	PROCESS	TECHNOLOGY
REGION	Some incremental effort is anticipated for initial setup and ongoing maintenance of the declaration system (e.g. software updates) as well as ongoing policy reviews and updates, but is not anticipated to result in the need for incremental IT or policy Full-Time Equivalents.	Design self-declaration forms and implement a reporting process for homeowners.	Implement a dedicated declaration system, including the ability to integrate with local municipal property tax systems (e.g. through APIs). Ensure ability of the declaration system to integrate with the Region's selected audit software.
BOTH	Resource requirements will be monitored following implementation of the program to identify any incremental employee impacts.	Design and coordinate a process for sending declaration notices to homeowners.	Coordinate and regularly test connections between declaration and collection systems.
LOCAL MUNICIPALITY	Initial setup and development of integrations may require additional resources. As the declaration system will be established and maintained by Peel, no ongoing incremental employee impacts are expected.		Develop integrations between the local municipal property tax system (and associated vacant home tax module) and the declaration system.

## DECLARATION & REPORTING | OCCUPIED DECLARATIONS

The first step in the Declaration & Reporting Process requires the declarer to identify themselves. The following is a table that outlines what information is required when an individual declares a property as occupied. The purpose of collecting this information is to ensure all communications related to the Vacant Home Tax are addressed to the right individual.

DECLARE OCCUPIED	
Declaration	Information Required on Declaration
Owner	N/A
On Behalf of Owner	Owner's Full Name, Phone Number, and Email (Optional) Declarer's Full Name, Phone Number, and Email (Optional)
Corporation	Name of Corporation Contact Full Name, Phone Number, and Email (Optional)
Principal Residence with a Permitted Occupant <sup>1</sup>	Number of Occupants Full Name and Phone Number for Each
Tenanted <sup>2</sup>	Number of Agreements in Vacancy Period Year Names on Each Agreement

1. Property was used as a principal residence by a family member, friend, or other permitted occupier for more than 184 days of the year.
2. Property was rented to one or more arm's length tenant(s) or subtenant(s) for residential purposes for more than 184 days of the current year.



## DECLARATION & REPORTING | EXEMPTIONS

The following is a proposed list of seven exemptions that residents may select from during the Declaration process. The table includes the definition for each exemption along with the information residents are required to provide on the Declaration.

Exemption		Definition	Information Required on Declaration
1	Transfer or Sale of Property	The transfer of 100 percent of the legal interest in the property was registered in the Land Title Office to an Arm's Length party during the reference period.	<ul style="list-style-type: none"> <li>• Registration Number</li> <li>• Sale Closing Date</li> </ul>
2	Redevelopment or Major Renovation	Property is undergoing major renovations, construction, or redevelopment that causes the property to be vacant for more than 184 days where building permits have been issued and permit work in progress. If the property is a heritage property, as defined by the Province of Ontario or a local municipality, the property will not be subject to the tax if activity related to its conservation, such as redevelopment or renovation, resulted in the property qualifying as being vacant in the reference period.	<ul style="list-style-type: none"> <li>• Permit Number OR Permit Application Number and Description</li> <li>• *Other documentation may include: Reference Number, Application Number, Inquiry Number, Zoning Permit Application, etc.</li> <li>• If the owner has a fire report or open insurance claim, this option becomes a Yes/No response</li> </ul>
3	Owner in Care	Property was unoccupied for more than 184 days because the owner, tenant, or permitted occupant resided in a hospital, long-term, or supportive care facility and had previously been using the property as a principal residence or occupying it for residential purposes as a tenant.	<ul style="list-style-type: none"> <li>• Name of Person Receiving Care,</li> <li>• Name, Address, and Phone Number of Facility</li> </ul>

## DECLARATION & REPORTING | EXEMPTIONS

The following is a continuation of the proposed list of seven exemptions that residents may select from during the Declaration process. The table includes the definition for each exemption along with the information residents are required to provide on the Declaration.

Exemption		Definition	Information Required on Declaration
4	Occupancy for Full time Employment	Principal Residence was outside of the Region, but the owner occupied the property for residential purposes for more than 184 days within the reference period because they were employed full-time in the Region. The nature of the employment must require physical presence in the Region.	<ul style="list-style-type: none"> <li>• Employer Name, Address, and Phone Number</li> <li>• Registered Property Owner: <ul style="list-style-type: none"> <li>• Self-Employed</li> <li>• Employed Full-Time (Either: Offices within the City OR Offices outside the City)</li> </ul> </li> </ul>
5	Court Order	Property was unoccupied for more than 184 days because the property was under: a court order; court proceedings; or an order of a governmental authority prohibiting occupancy. Note: in cases where occupancy is not permitted due to the owner's neglect, an exemption will not be granted.	<ul style="list-style-type: none"> <li>• Court File Number OR Order Number</li> </ul>
6	Death of Owner	The property was unoccupied for more than 184 days because of the death of the registered owner in the applicable reference period or in the previous period. This exemption is only available in the year of death and the subsequent year.	<ul style="list-style-type: none"> <li>• Ask for Death Certificate Number only during the Audit process</li> </ul>
7	Combination Exemption	A combination of any of the above exemptions resulting in more than 184 days of vacancy in a reference period.	<ul style="list-style-type: none"> <li>• Same evidence required as any of the above exemptions claimed</li> </ul>

## DECLARATION CONSIDERATIONS

Consultations with staff in the Region and local municipalities indicated a new declaration system, implemented and managed by Peel, would require integration with local municipal property tax systems and the Region's selected audit system.

Local Municipalities	Region of Peel
<ul style="list-style-type: none"> <li>▶ As no declaration system currently exists within local municipalities, declaration may best reside with the Region to ensure consistency and avoid duplicative investments and systems.</li> <li>▶ A declaration system's primary purpose should be to automate the declaration process to the extent possible. Any manual effort is likely to be highly labour intensive and cost-prohibitive.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Any system built or sourced needs to be integrated with both local municipal Property Tax Collection Systems <u>and</u> a new Peel Audit System</li> <li>▶ Requires significant initial and ongoing communications effort to ensure that homeowners are aware of the declaration requirements, and understand the definitions of and exemptions from the vacant home tax by-law</li> <li>▶ New FTEs may be required to offer in-person or over-the-phone declarations support for different segments of the population (i.e. those with limited digital literacy or financially precarious individuals)</li> <li>▶ Privacy mechanisms will be important to consider, as the system will be handling potentially sensitive information.</li> </ul>

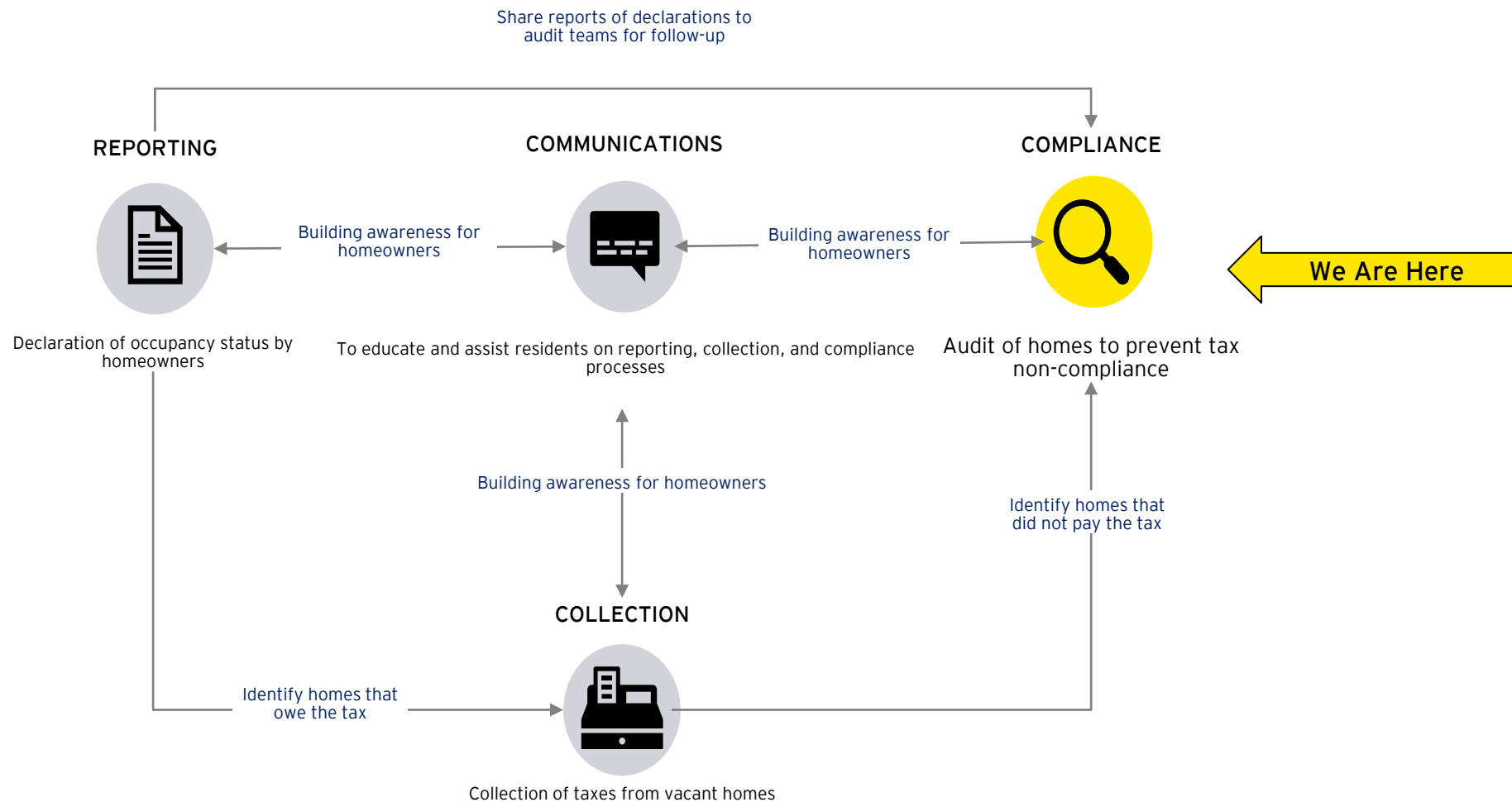
## DECLARATION & REPORTING | RISKS

Key risks and their subsequent mitigation measures to the Declaration & Reporting process are outlined below.

Risks	Mitigation Measures
<p>Privacy implications and potential breaches to data privacy associated with storing confidential data from residents.</p>	<p>Storing declaration information centrally in a single Region-managed system will allow Peel to put in place appropriate safeguards to prevent unauthorized access to information.</p> <p>Records related to the Vacant Home Tax are classified under Record Series Identifier (RSI) F43 -Taxation. Paper records are kept in office for the current year plus 1 additional year and then sent offsite to the Region's Inactive Records Centre (IRC) for the remaining 5 years, for a total retention of 7 years. Electronic records must be stored and maintained in an approved regional repository (EIM, SharePoint) for the total 7 years and then destroyed.</p>
<p>Multiple potential points of contact for queries regarding the Declaration process. As residents are accustomed to contacting local municipalities about support with Property Taxes, there may be confusion about who to contact about the Vacant Home Tax.</p>	<p>The Region may engage in a communications campaign with residents to explain how different types of queries (e.g. in-person or virtual) related to Declaration and Reporting of the Vacant Home Tax are handled. Additionally, call centre and front line staff at the local municipalities may be directed to resources to answer high-level questions about declarations and notified of the ability to redirect homeowners to contact the Region.</p>
<p>To align the Vacant Home Tax with Property Tax timelines, it may be difficult to set a single deadline to submit Declaration Notices with the differing collection timelines of the three local municipalities.</p>	<p>As identified during consultations with municipalities, additional information will be required to determine declaration timelines for each constituent municipality, including technical functionality of existing and new tax collection systems.</p>

# AUDIT & COMPLIANCE

## CORE OPERATIONS



8.3-55

## AUDIT & COMPLIANCE

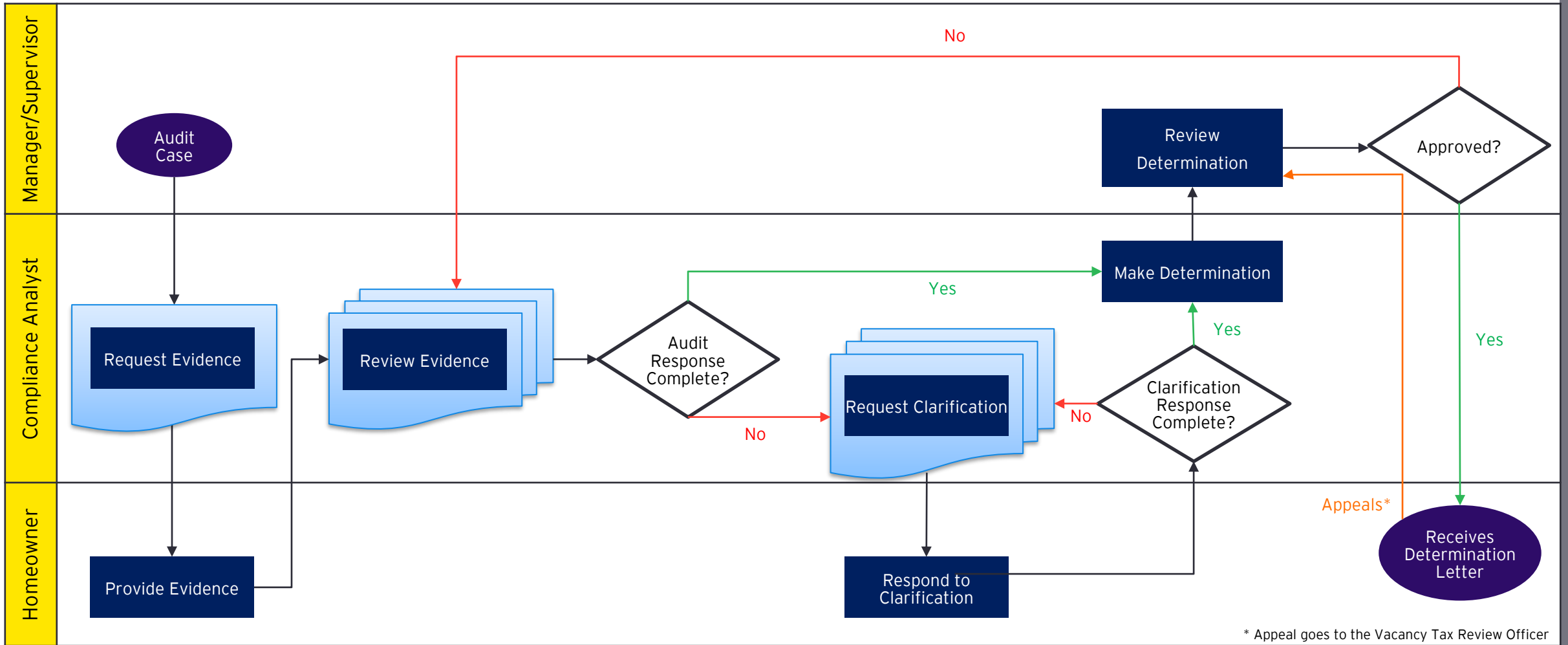
Following receipt of a declaration, the Audit & Compliance process is initiated in a separate software system to assess and validate declarations. Audit rates vary depending on type and volume of declarations, and on the ease of availability of verifying information. Additionally, all declarations may be subject to audit for up to two (2) years after the date of declaration.

Following declaration, the Audit & Compliance process is initiated:

- A new audit software system may be required to manage external-facing audits. Integration with the declaration system will be required.
- Homes declared as vacant with exemption are audited at rates based on their expected volume and ease of access to verification documents.
- Homes declared as occupied are audited at rates based on auditor capacity and total audit volume targets set by Peel.
- Audit findings may be appealed. Appeals are reviewed and a final determination is made by a dedicated Vacancy Tax Review Officer.
- Homeowner inquiries not relating to vacancy status decisions (e.g. failure to submit a declaration, errors in declaration) are directed to dedicated positions within the organization.

# AUDIT & COMPLIANCE | PROCESS

The process for conducting investigations at the Regional level to confirm the declared vacancy status of a property is outlined below.



\* Appeal goes to the Vacancy Tax Review Officer

8.3-57


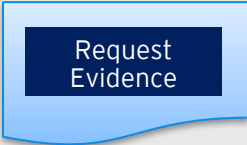



## AUDIT & COMPLIANCE | RATIONALE

The Feasibility Study recommended that Audit & Compliance be housed with the Region. Based on consultations with Vancouver, the Region of Peel, and local municipalities, it is necessary for the Audit & Compliance system to remain at the Regional level.







- ▶ Through discussions with local municipality tax departments, it was found that a single Audit & Compliance system held at the regional level is preferred to ensure consistency, prevent system redundancy, and support overall operating cost recovery.
- ▶ Peel Region and local municipalities indicated a lack of external audit capacity that can be leveraged for the implementation of a Vacant Home Tax. As such, it was concluded that it would be more costly to build, and more complex to integrate, three Audit systems rather than a single system at the Regional level. All municipalities agreed this approach would also ensure consistency in decision-making outcomes of Audit cases.
- ▶ As indicated by the Peel Region IT department, overall system complexity and the likelihood of data breaches is expected to be lower if the Audit system is housed at the Regional level. This is primarily due to the Declaration and Audit processes being built within a single system, reducing the need for data transmission between organizations and ensuring data security measures are consistently applied.




# AUDIT & COMPLIANCE | KEY COMPONENTS

Legend	Description
	<p>An audit case is created in the Region's audit system with a list of properties to be audited. Each property is assigned a Case File Number and is assigned to a Compliance Analyst.</p>
	<p>The Compliance Analyst sends a communication to the homeowner requesting evidence to determine the validity of the declaration status.</p>
	<p>Using their Account Number and Access Code, the homeowner provides requested evidence. For examples, please see <a href="#">Evidence Required for Audit &amp; Compliance</a>.</p>
	<p>The Compliance Analyst reviews the information provided and, where possible, cross-references with information available through Region records or data sharing agreements with local municipalities.</p>
	<p>Based on the evidence provided, the Compliance Analyst decides whether the information is sufficient to make a determination. If the Compliance Analyst is able to complete an audit response, a determination is made. If not, further clarification and documentation is requested as required.</p>

# AUDIT & COMPLIANCE | KEY COMPONENTS

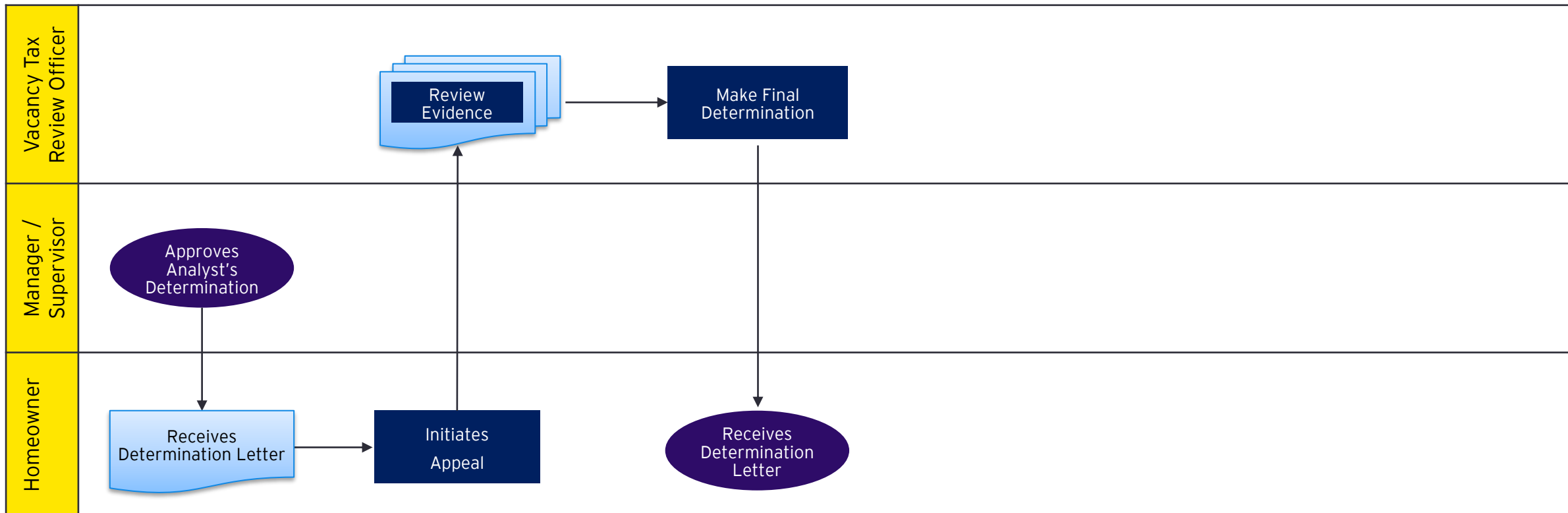
Legend	Description
	<p>If the evidence provided by the homeowner is insufficient, the Compliance Analyst sends a communication to the homeowner requesting clarification and further information.</p>
	<p>Using their Account Number and Access Code, the homeowner provides additional information as requested.</p>
	<p>Based on the additional evidence provided, the Compliance Analyst decides whether the clarification response is sufficient to make a determination. If the Compliance Analyst finds the clarification response is complete, a determination is made. If not, further clarification is requested.</p>
 	<p>The Compliance Analyst makes a determination on the Case File after reviewing provided evidence.</p>
	<p>The Manager or Supervisor reviews the audit determination. If the determination is approved, a letter is sent to the homeowner indicating the case has been resolved. If not, the evidence is reviewed again and the audit process continues with additional requests for clarification or information as required.</p>

# AUDIT & COMPLIANCE | KEY COMPONENTS





Legend	Description
	<p>The homeowner receives a determination letter from the Region outlining the determination of the audit, the rationale, and next steps. If the homeowner is found compliant, no further action is required and the audit process ends.</p> <p>If the homeowner is found non-compliant, the Audit System changes the declaration status of the property in the declaration system. The amended declaration triggers the collection process and the homeowner is required to pay the tax in addition to any applicable penalties.</p> <p>The homeowner is provided the option to appeal the determination, with instructions outlined in the determination letter.</p>
<p>Appeals*</p>	<p>The homeowner is able to appeal an audit determination. See <a href="#">Appeals Process</a></p>

# AUDIT & COMPLIANCE | APPEALS PROCESS

The process for appealing audit determinations at the Regional level is outlined below.

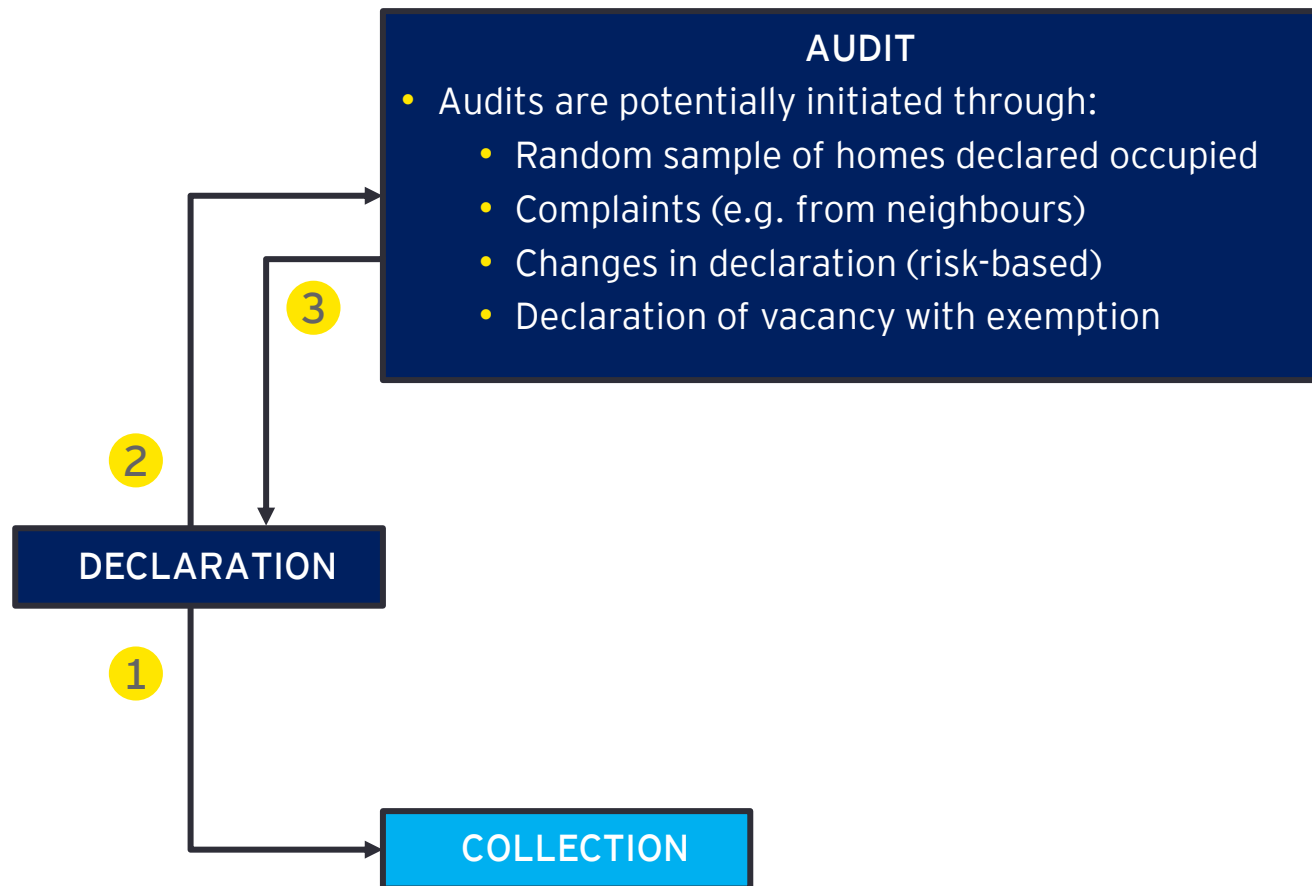


# APPEALS PROCESS | KEY COMPONENTS

Legend	Description
	<p>After receiving the determination letter indicating the results of the initial audit from the Region, the homeowner initiates an appeal, and the case is sent to the Vacancy Tax Review Officer.</p>
  	<p>The Officer reviews the evidence, requests additional information as needed, and makes a final determination. A communication is sent to the homeowner through the Region’s audit system indicating the final decision.</p>

# AUDIT & COMPLIANCE | INFORMATION FLOW

Once a declaration is entered in the system, it may flow directly to collection or move to audit for validation. Audits may change status in the declaration system, which subsequently initiates application and collection of the vacant home tax.



In this process, no information-sharing to the municipalities takes place. There is a one-way flow from declarations to collections and a two-way flow between declarations and auditing.

1. Vacant declarations trigger application and collection of the tax
2. Declarations are audited based on predetermined rules
3. Depending on audit results, a change in declaration may take place, triggering application and collection of the tax

# AUDIT & COMPLIANCE | CHANGES REQUIRED

	PEOPLE	PROCESS	TECHNOLOGY
REGION	<p>Create a new organizational unit to support the ongoing operation of the Vacant Home Tax. It is anticipated that the organization will require approximately 30 Full-Time Equivalent positions directly, and additional supporting positions may be required in other organizational units.</p> <p>See: <a href="#">Staff Organizational Chart</a></p>	<p>Design new vacant home tax audit process to validate declarations, including appeals process, audit checklist, and communication and escalation.</p>	<p>Implement an Audit System which includes features such as status tracking, the ability to upload files, communications and notifications as well as integration with the Declaration System to allow staff to amend declarations.</p> <p>Coordinate and regularly test connections between declaration and collection systems.</p>
BOTH	<p>Resource requirements will be monitored following implementation of the program to identify any incremental employee impacts.</p>	<p>New or updates to existing data sharing agreements may be required to verify evidence provided by homeowners during audits.</p>	
LOCAL MUNICIPALITY	<p>No anticipated changes.</p>	<p>Amend (or develop new) collection processes for off-cycle billing to support penalty collection.</p>	<p>Ensure property tax collection system, or associated vacant home tax module, is capable of supporting off-cycle penalty billing.</p>

# AUDIT SCENARIOS

Audits will be based on claimed exemptions, random samples, behavioural changes, and complaints to align with other jurisdictions.

	PROS	CONS
<b>RANDOM SAMPLE</b> The compliance team will randomly audit units that were self-declared to be occupied to ensure the declaration was correct	<ol style="list-style-type: none"> <li>1. Encourages compliance and proper declaration as the owner can, at anytime, be audited, and face fines for non-compliance</li> <li>2. Increases the number of audited units as there is a dedicated team that is responsible for auditing, potentially lowering non-compliance</li> </ol>	<ol style="list-style-type: none"> <li>1. More expensive to implement as it will require hiring full-time compliance auditors and require customized auditing processes and systems</li> <li>2. May be seen as intrusive by the public</li> </ol>
<b>HOMEOWNER COMPLAINTS</b> The compliance team would only investigate units that are suspected to be vacant by neighbours, or Regional/City service staff (e.g. waste management staff) who observe the lack of inhabitation at an address	<ol style="list-style-type: none"> <li>1. Easier to implement, as it does not require a dedicated audit team since only complaints are investigated</li> <li>2. Cheaper to implement as an online form or existing call centres can be leveraged to intake complaints</li> </ol>	<ol style="list-style-type: none"> <li>1. May not have a large uptake if neighbours are not keen to report vacancy</li> <li>2. May not achieve the goal to increase total housing supply if owners do not believe they will be audited</li> <li>3. Pushes onus of ensuring compliance onto residents instead of the Region</li> </ol>
<b>RISK-BASED ASSESSMENT</b> The compliance team uses judgemental sampling methods to select units for inspection based on defined risk parameters so that audit resources are dedicated to high risk areas, rather than casting a wide net across all homes	<ol style="list-style-type: none"> <li>1. Allows audit teams to select homes which are considered to be of special audit interest based on risk-profiles (e.g. same exemption criteria declared for multiple years)</li> <li>2. High potential for digitization and streamlining through the use of analytics as more information on non-compliance trends become available</li> </ol>	<ol style="list-style-type: none"> <li>1. High reliance on the professional judgement auditors which can be developed only after a reasonable amount of historical information is available to determine high risk areas</li> <li>2. Presents risks of bias against various communities</li> </ol>
<b>EXEMPTION-BASED</b> The compliance team will audit units that were self-declared to be exempt to ensure the declaration was correct	<ol style="list-style-type: none"> <li>1. If data are readily available, audits can be conducted quickly by referencing easily accessible information</li> <li>2. Having clearly defined, rules-based exemptions can increase the total audit capacity of staff and overall audit accuracy</li> <li>3. Encourages compliance as the owner knows if they declare an exemption, they are likely to be audited</li> </ol>	<ol style="list-style-type: none"> <li>1. If data are not readily available for high volume exemptions, the audit process can require significant effort and lead to increased operating costs</li> <li>2. May not achieve the goal to increase total housing supply if owners successfully claim fraudulent exemptions on their vacant homes</li> </ol>



## EVIDENCE REQUIRED FOR AUDIT & COMPLIANCE

Evidence required to audit and verify each listed exemption is detailed in the table below. More information may be requested during the Audit & Compliance process.

### EVIDENCE FOR AUDIT

Declaration	Evidence Required
Principal Residence for a Permitted Occupant	<p><u>One</u> of: Driver's Licence; or Government Photo ID card(s) with address; and</p> <p><u>Two</u> of: CRA Notice of Assessment; Official Government Agency Correspondence; Homeowner's Insurance Certificate; Vehicle Insurance &amp; Registration; Utility Bills.</p> <p>More information may be requested during the audit process.</p>
Tenanted	<ol style="list-style-type: none"> <li>1. Rental Agreement</li> <li>2. Proof of Rental Income</li> </ol>

# EVIDENCE REQUIRED FOR AUDIT & COMPLIANCE

Evidence required to audit and verify each listed exemption is detailed in the table below.

## EVIDENCE FOR AUDIT

Exemption	Evidence Required
Transfer or Sale of Property	<ol style="list-style-type: none"> <li>1. Title Transfer of Deed issued by LRO; and</li> <li>2. Statement of Adjustments</li> <li>3. Copy of Land Transfer Tax</li> <li>4. Letter from Lawyer, as needed</li> </ol>
Redevelopment or Major Renovation	<ol style="list-style-type: none"> <li>1. Copy of the Building Permit</li> <li>2. Letter from Contractor with Start and End Date</li> <li>3. Copy of the Fire Report</li> <li>4. Letter from Insurance Provider including date of damage and scope of work</li> </ol>
Owner in Care	<ol style="list-style-type: none"> <li>1. Signed letter from care facility on letterhead</li> </ol>
Occupancy for Full-Time Employment	<ol style="list-style-type: none"> <li>1. Government Photo ID card(s) with address; and</li> <li>2. Homeowner's Insurance Certificate</li> </ol>
Court Order	Copy of the Court Order
Death of Owner	Copy of Death Certificate of Owner
Combination Exemption	Same evidence required as any of the above exemptions claimed

# AUDIT & COMPLIANCE CONSIDERATIONS

Consultations with staff from the Region and local municipalities indicated the audit and compliance function is likely best centralized within Peel, and should minimize direct linkages to local municipal systems to minimize operating cost.

Local Municipalities	Region of Peel
<ul style="list-style-type: none"> <li>▶ Local municipalities do not have existing IT systems to undertake external-facing audits</li> <li>▶ The incremental cost of audit and compliance staff may not be offset by regular or audit-derived revenue in all local municipalities</li> <li>▶ It is critical to clearly define the role of local municipalities, if any, in the audit and compliance process</li> </ul>	<ul style="list-style-type: none"> <li>▶ Any system built or sourced needs to be integrated with the Declaration System and must also have the capability of receiving files and notifying homeowners</li> <li>▶ Requires data-sharing agreements with local municipalities and may entail additional agreements based on audit requirements</li> <li>▶ May require a separate internal organization - including a potential Vacancy Tax Review Officer - dedicated to the vacant home tax audit and appeals process, as has been observed in other jurisdictions</li> <li>▶ Evidence required for audit scenarios will determine the level of effort required for each, and subsequently overall audit capacity</li> </ul>

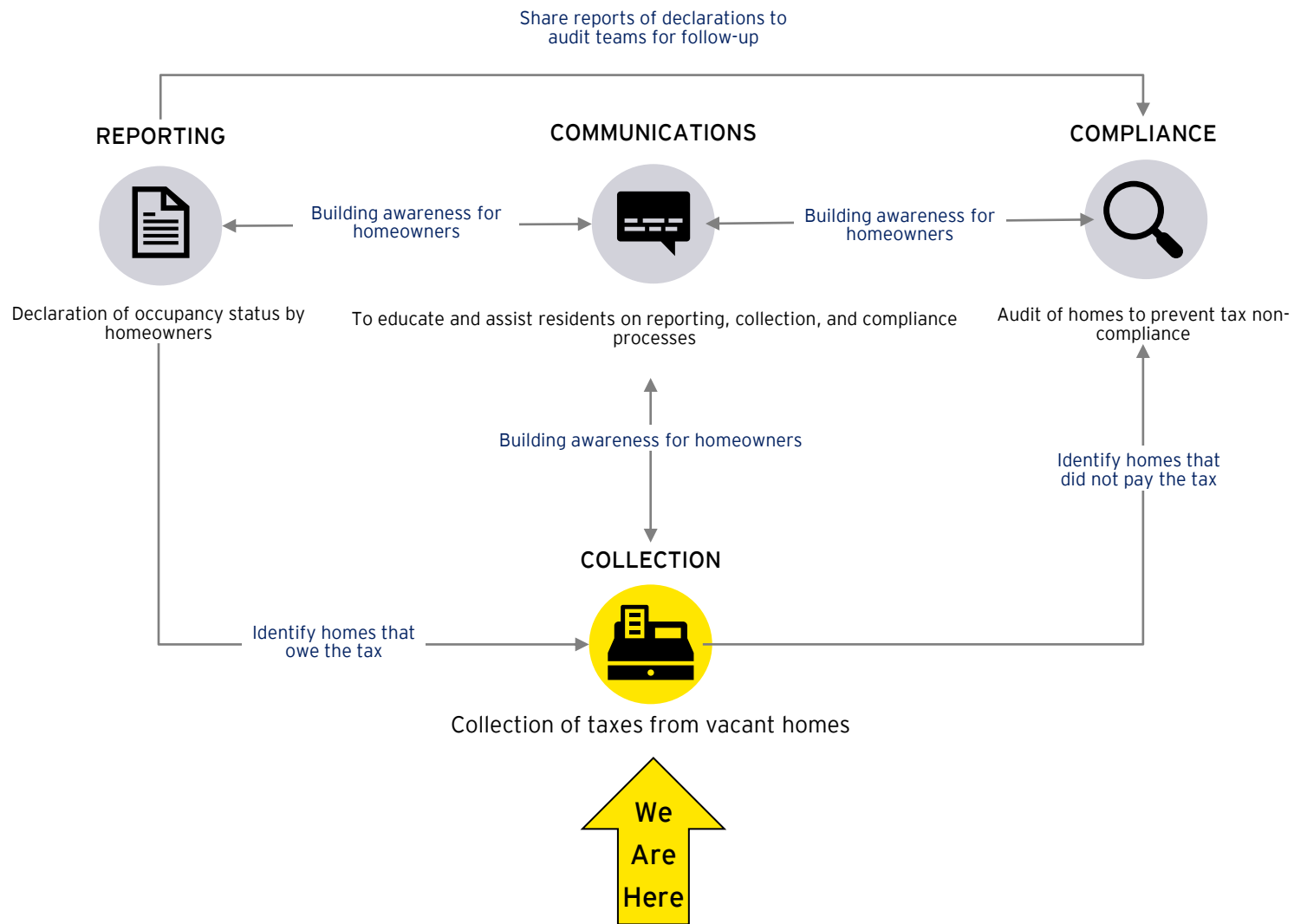
## AUDIT & COMPLIANCE | RISKS

Key risks and their subsequent mitigation measures to the Audit & Compliance process are outlined below.

Risks	Mitigation Measures
<p>Privacy implications and potential breaches to data privacy associated with storing confidential data from residents.</p>	<p>Storing declaration information centrally in a single Region-managed system will allow Peel to put in place appropriate safeguards to prevent unauthorized access to information.</p> <p>Records related to the Vacant Home Tax are classified under Record Series Identifier (RSI) F43 -Taxation. Paper records are kept in office for the current year plus 1 additional year and then sent offsite to the Region's Inactive Records Centre (IRC) for the remaining 5 years, for a total retention of 7 years. Electronic records must be stored and maintained in an approved regional repository (EIM, SharePoint) for the total 7 years and then destroyed.</p>
<p>While there are initial and ongoing costs associating with building a division of staff to manage the Vacant Home Tax program, the number of staff available may not have the capacity to handle the number of audits.</p>	<p>Similar to other jurisdictions, audit rates can be set that result in an overall number of audits that lie within the expected capacity of Compliance Analysts and the Vacancy Tax Review Officer. Annual reviews of capacity and generated revenue will be required to amend audit rates as desired.</p>

# COLLECTION

## CORE OPERATIONS



## COLLECTION

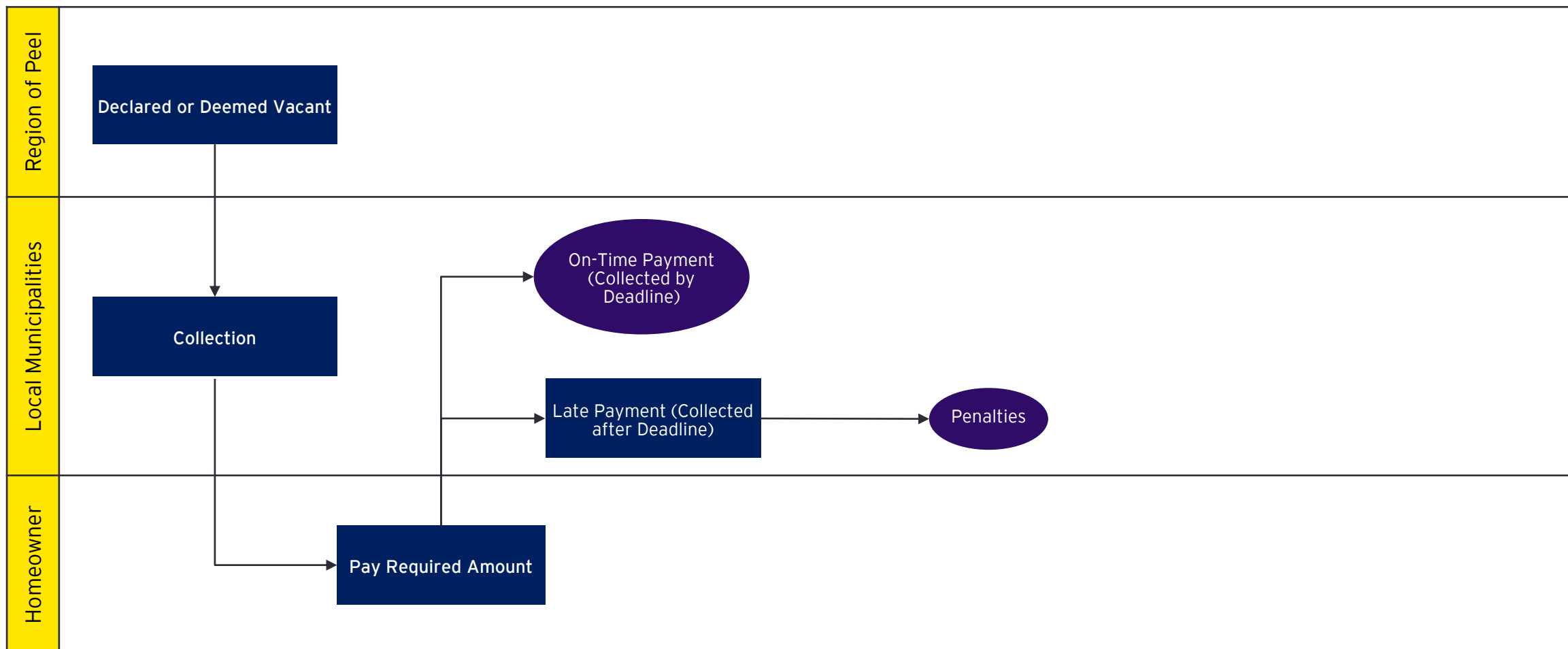
Following a declaration or determination of vacancy, the collection process is initiated through a separate module in existing property tax systems.

Following a declaration or determination of vacancy, the Collection process is initiated:

- If a home is declared vacant, or deemed vacant through the Audit & Compliance process, the Vacant Home Tax is applied.
- Collection processes flow through a separate module built onto each existing property tax system.
- The tax amount to be collected is based on the assessed value of the home, multiplied by the tax rate.
- A bill is generated for identified homes through existing local municipality property tax systems.
- Penalties for late or false declaration, or late vacant home tax payment, are calculated and bills are issued by the local municipalities.

# COLLECTION | PROCESS

The process of collecting tax revenue from vacant homes and penalties from homeowners who are non-compliant or who present fraudulent declarations is outlined below.



## COLLECTION | RATIONALE

The Feasibility Study recommended that Collection lie with the local municipalities. Based on consultations with both the Region of Peel and the local municipalities, the Collection system should remain with the local municipalities.

- ▶ Using Property Tax collection systems and processes appears to be an efficient and effective method to implement the Vacant Home Tax, as evidenced by similar implementation in other jurisdictions.
- ▶ Costs incurred as a result of the collection process can be reimbursed through revenues generated by the tax.
- ▶ Note that an interim approach to local municipality collection of the Vacant Home Tax may be required as existing collection systems are intended to be replaced within the decade.



## COLLECTION | KEY COMPONENTS

Legend	Description
Declared or Deemed Vacant	The property has been classified as vacant through (1) a declaration by the homeowner, (2) a determination through the Audit & Compliance process, or (3) the homeowner fails to declare by the deadline and the home is deemed vacant.
Collection	Once the property has been declared or deemed vacant, the local municipalities would begin the collection process of the Vacant Home Tax.
Pay Required Amount	Homeowners could potentially use existing property tax accounts and processes to pay the vacant home tax online, in person, by mail, or over the phone.
On-Time Payment (Collected by Deadline)	The homeowner pays the vacant home tax by the deadline. The collection process ends.
Late Payment (Collected after Deadline)	If the homeowner fails to pay the vacant home tax by the prescribed deadline, a penalty is applied in addition to the vacant home tax outstanding. Late payments and associated penalties are collected through the same payment options as on-time payments.
Penalties	Penalties apply for (1) non-declaration, (2) late declaration, (3) false declaration, (4) late tax payment, and (5) non-payment of tax due. Penalties include one-time charges (in cases 1, 2, 3, and 4) and daily interest arrears (in case 5). If non-payment continues, the the local municipality may undertake a tax sale process on the property.

# COLLECTION | CHANGES REQUIRED

The primary changes in the proposed collection process are development of integrations with declaration and audit systems.

	PEOPLE	PROCESS	TECHNOLOGY
REGION	No anticipated changes.	New processes to identify late or outstanding declarations and payments for collection of penalties.	Implement a new declaration system with the capability to communicate and change declarations and penalties to local municipal property tax collection systems.
BOTH	Resource requirements will be monitored following implementation of the program to identify any incremental employee impacts.		
LOCAL MUNICIPALITY	Initial setup of integrations with the Region’s declaration system may require additional resources. Given the largely automated nature of the process, ongoing incremental employee impacts are not expected, although there may be an increased workload for finance administrative staff.	Upgrade tax collection processes to include the implementation of a vacant home tax	Upgrade property tax collection system to include a module for the vacant home tax and integration with Peel declaration system.

## COLLECTION | PENALTIES AND PARAMETERS

Details of penalties applied in relation to declaration and payment of the vacant home tax are further outlined below.

Offence	Penalty	Rationale
Late and non-declaration	<ul style="list-style-type: none"> <li>▶ Property is deemed vacant.</li> <li>▶ Vacant home tax is applied.</li> <li>▶ One-time \$250 fee is issued.</li> </ul>	Implemented in Vancouver and Toronto consistent with similar by-law offences.
False declaration	<ul style="list-style-type: none"> <li>▶ Property is deemed vacant.</li> <li>▶ Vacant home tax is applied.</li> <li>▶ \$250 - \$10,000 fine for each offence is charged.</li> </ul>	Implemented in Vancouver and Toronto consistent with similar by-law offences.
Late tax payment or non-payment	<ul style="list-style-type: none"> <li>▶ 1.25% monthly interest on arrears.</li> <li>▶ A tax sale process if amounts owed remain outstanding for three (3) years.</li> </ul>	Similar to system implemented in Vancouver and Toronto consistent with local municipal property tax penalties and tax sale process.

## COLLECTION CONSIDERATIONS

Consultations with staff at the Region and local municipalities primarily indicated concerns about implementation timing. Local municipalities are beginning to replace existing property tax collection systems, a process that may last until 2029.

Brampton	Caledon	Mississauga	Region of Peel
<ul style="list-style-type: none"> <li>▶ Will replace existing Collection System between 2025 and 2029</li> <li>▶ Requires adding a VHT module within the Collection System which integrates with the Region's Declaration System</li> </ul>	<ul style="list-style-type: none"> <li>▶ Currently in the process of changing Property Tax Collection System with an estimated completion by end of 2023</li> <li>▶ Has very limited internal IT capability with limited interaction between software systems</li> <li>▶ Requires adding a VHT module within the Collection System which integrates with the Region's Declaration System</li> </ul>	<ul style="list-style-type: none"> <li>▶ Will replace existing Collection System between 2025 and 2029</li> <li>▶ Requires adding a VHT module within the Collection System which integrates with the Region's Declaration System</li> </ul>	<ul style="list-style-type: none"> <li>▶ Peel does not have existing systems capable of collecting the VHT.</li> </ul>

## COLLECTION | RISKS

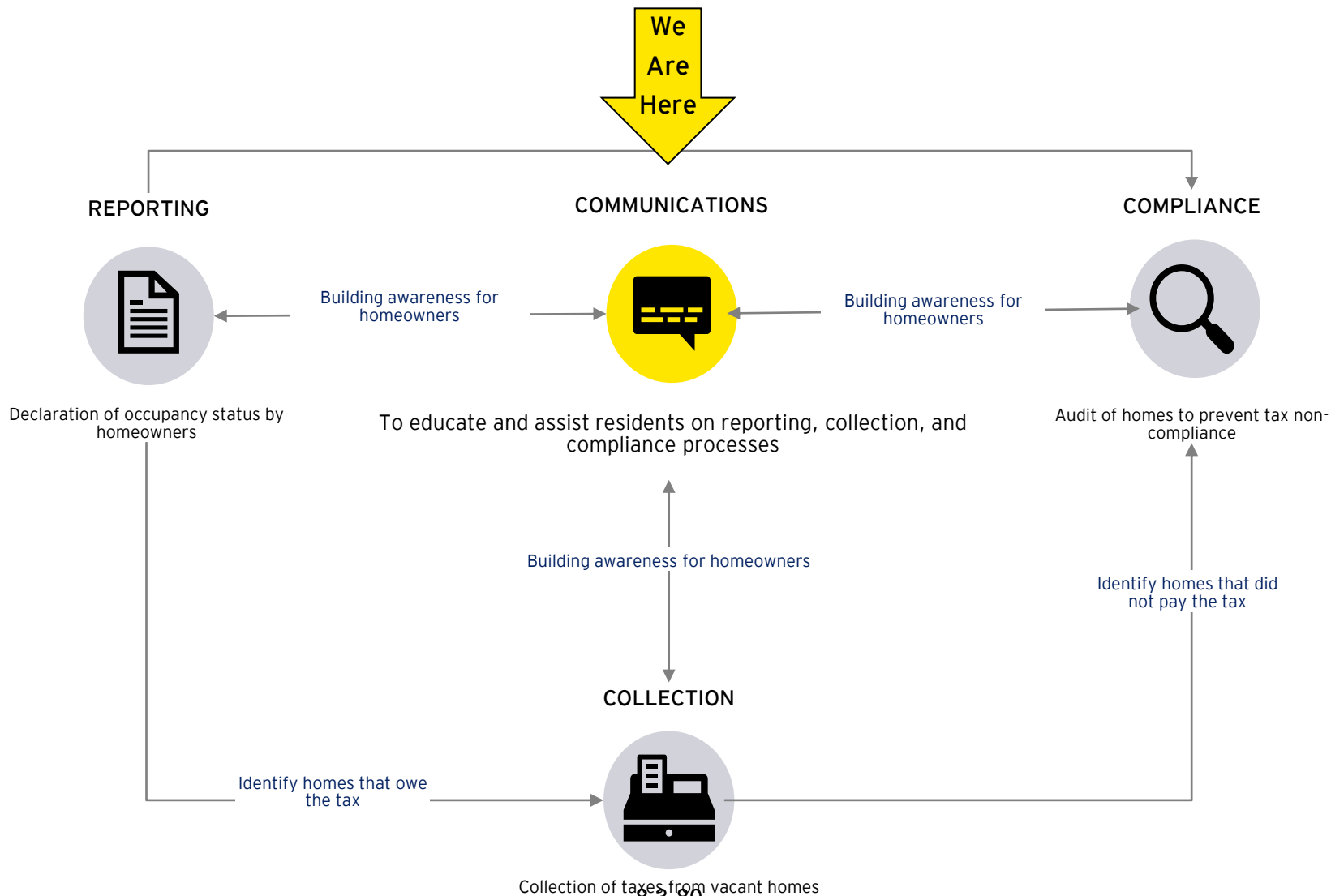
Key risks and their subsequent mitigation measures to the Collection process are outlined below.

Risks	Mitigation Measures
<p>Technology implications associated with integrating the Regional Declaration System with the collections systems of the local municipalities.</p>	<p>There is a one-way flow of information from the Regional Declaration system to the local municipal Collection systems. A home deemed or declared vacant would trigger the application and collection of the Vacant Home Tax from the relevant homeowner.</p>
<p>If the Region of Peel prefers to align the Vacant Home Tax with Property Tax timelines, it may be difficult to align with the collection timelines of the three local municipalities, in particular as all three are updating respective tax collections systems. The Region may have to defer implementation of the VHT until all local municipalities have updated their collection systems, which may result in lost revenue.</p>	<p>Consultation and agreement on timelines with the three local municipalities will be required. Furthermore, the Region may consider developing an interim approach to collection with the local municipalities to determine a different method of collection, such as building modules within current systems and subsequently building modules again with the new systems.</p>

# COMMUNICATIONS

## CORE OPERATIONS

Share reports of declarations to audit teams for follow-up



8.3-80

# COMMUNICATIONS

Following a declaration or determination of vacancy, the collection process is initiated through a separate module in existing property tax systems.

Communication with homeowners is on-going throughout the vacant home tax process, but has two important phases:

## INITIATION PHASE

- Initial campaign informing homeowners that a Vacant Home Tax will be implemented
- Includes an explanation of what the tax is, why it is being implemented, an overview of what the process will be, and any other pertinent information for the homeowner to be aware of

## ONGOING OPERATIONS PHASE

- Sending out regular reminders, instructions, and deadlines for Declarations, Collections, and Audits
- Handling inbound queries, complaints, and grievances from homeowners
- Escalating queries as needed through the appropriate channels

## COMMUNICATIONS | RATIONALE

The Feasibility Study recommended that Communications be housed exclusively with the Region. Based on consultations with both the Region of Peel and the local municipalities, the Region should lead communications with local municipalities supporting as needed.

- ▶ Although the Region of Peel will hold primary responsibility for communications related to the Vacant Home Tax, Peel staff indicated the Region currently does not have capacity to directly interact with members of the public in person. As such, local municipalities indicated their support will be required to address in person and some generic inquiries, directing requests to Peel as needed.
- ▶ As the Declaration & Reporting process is housed at the Regional level, Peel's communications department indicated it may develop materials required for Declaration Notices. If the VHT timeline is to be aligned with the Property Tax timeline, local municipality tax departments indicated they may be able to issue VHT-related notices (declaration and collection) along with Property Tax Notices.



## COMMUNICATIONS | CHANGES REQUIRED

Changes required to implement communications processes are focused on ensuring trained staff and robust processes are in place.

	PEOPLE	PROCESS	TECHNOLOGY
REGION	<p>Additional call centre or other communications staff may be required to handle queries, complaints, and grievances.</p> <p>Additional communication staff may be required in a new vacant home tax organizational unit to support escalated cases.</p> <p>Upskill existing customer service staff to manage queries about the vacant home tax.</p>	<p>Develop training materials and processes for front-line communications staff.</p> <p>Develop staged communications processes, including escalation points.</p>	<p>Adjust call centre, phone, and other communications systems as appropriate to support a new organizational unit and the ability to escalate vacant home tax-related communications as needed.</p>
BOTH	<p>Resource requirements will be monitored following implementation of the program to identify any incremental employee impacts.</p>		
LOCAL MUNICIPALITY	<p>Inform and train appropriate staff to support initial awareness campaign and direct queries to Peel.</p>	<p>Ensure property tax billing processes support additional outgoing communications to homeowners (e.g. declaration notices, penalty bills)</p>	

## COMMUNICATIONS CONSIDERATIONS

Consultations with staff from the Region and local municipalities indicated the communications function is most effectively housed within Peel to ensure technical operability and consistency. However, local municipalities may send out notices on behalf of Peel.

Brampton	Caledon	Mississauga	Region of Peel
<ul style="list-style-type: none"> <li>▶ Brampton is likely able to absorb communications responsibilities at the municipal level with current FTE capacity.</li> <li>▶ Existing call centre systems do not connect to Peel's systems.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Due to Caledon's limited communications capacity, additional FTEs may be required.</li> <li>▶ Existing call centre systems do not connect to Peel's systems.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Mississauga receives approximately 70K calls a year for property tax inquiries and do not expect to be able to absorb communications responsibilities within the existing complement.</li> <li>▶ Existing call centre systems do not connect to Peel's systems.</li> <li>▶ Mississauga has permanently closed its tax counter to the public, and in-person assistance is limited to a welcome desk.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Region to house call centre operations as a first point of contact and escalate to dedicated vacant home tax team.</li> <li>▶ Creating multiple points of contact may lead to confusion among residents regarding processes for grievance redressals, assessing exemptions etc. As such, it is important to provide clarity in all communications.</li> <li>▶ Initial awareness communications should clearly articulate the reasoning for implementing the tax.</li> </ul>

8.3-84

## COMMUNICATIONS | RISKS

Key risks and their subsequent mitigation measures to the Communications process are outlined below.

Risks	Mitigation Measures
<p>Multiple potential points of contact for queries regarding the Declaration process. As residents are accustomed to contacting local municipalities about support with Property Taxes, there may be confusion about who to contact about the Vacant Home Tax.</p>	<p>The Region may engage in a communications campaign with residents to explain how different types of queries (e.g. in-person or virtual) related to Declaration and Reporting of the Vacant Home Tax are handled. Additionally, call centre and front line staff at the local municipalities may be directed to resources to answer high-level questions about declarations and notified of the ability to redirect homeowners to contact the Region.</p>

# Financial Analysis

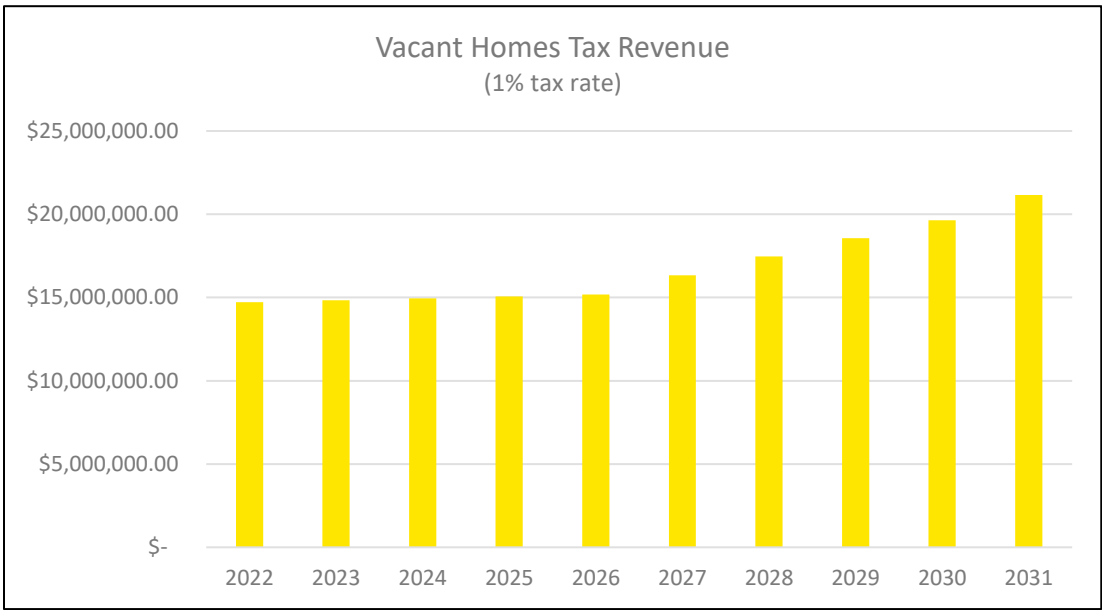
# FINANCIAL ANALYSIS | REVENUE ESTIMATION

Estimates based on the latest available data indicate that the Region may generate an average gross annual revenue of nearly \$17M over 10 years with a 1% tax rate using available MPAC assessment values from 2016.

Through our analysis, we obtained revenue estimates from eight different situations involving various different tax rates, and their associated ABRR\*. The tax rates represent a continuum from a low of 0.5% to a high of 3.0% (rate that has since been in place at the City of Vancouver prior to recent changes), and are multiplied by the average assessment value of homes to obtain the revenue from the tax levy.

	Tax Rate	ABRR*	Average Revenue/Year (10 years)	
			Self Declaration	Audit Activity**
Scenario 1	0.50%	1.50%	\$8,405,161	\$508,200
Scenario 2	1.00%	2.50%	\$15,992,148	\$801,153
Scenario 3	1.25%	3.00%	\$19,500,396	\$947,630
Scenario 4	1.50%	4.00%	\$22,274,404	\$1,094,106
Scenario 5	2.00%	5.00%	\$28,281,648	\$1,387,059
Scenario 6	2.25%	5.50%	\$31,053,241	\$1,533,536
Scenario 7	2.50%	6.00%	\$33,679,228	\$1,680,013
Scenario 8	3.00%	6.50%	\$39,453,923	\$1,972,966

10 year revenue projections for a 1% tax rate (most common rate chosen by cities)



Revenues are projected to increase year-over-year even post implementation of the vacant homes tax due to the growth in housing stock and the rise in assessment values - both of which help recover any revenue loss from vacant homes that are released back to the rental market. This is consistent with the observations at the City of Vancouver which saw revenue rising from \$26M in 2021 to \$67M in 2022. Higher revenue can also be attributed to the increase in the vacancy tax rate to 3% in the 2021 vacancy reference period and an average increase in assessed property value by 23% in 2021.

Note: Revenues may differ from projections identified in the above analysis depending on current market conditions and/or updates to MPAC property assessment values.

\*Annual Behavioral Response Rate: The expected total number of units that will be returned back to the rental or for sale market on an annual basis.

# FINANCIAL ANALYSIS | REVISED COST ESTIMATES

Based on the changes required in the identified delivery model, one-time costs to borne by the Region are anticipated to be between \$11.67M and \$13.67M, Peel operating costs are estimated to be \$3.8 annually, and local municipal operating costs to be \$0.5M annually, which are anticipated to be recovered through associated tax collection revenues.

	Region of Peel	
	One-Time Costs	Ongoing Costs
People	Negligible	\$3.3M
Process	Negligible	Negligible
Technology	\$11.67 - 13.67M	\$0.5M
<b>TOTAL</b>	<b>\$11.67 - 13.67M</b> <i>(\$11.27M - \$12.99M)*</i>	<b>\$3.8M</b> <i>(\$4.3M)*</i>

	Local Municipalities
	Ongoing Costs
People	\$0.45M
Process	No material ongoing impacts expected
Technology	\$0.1M
<b>TOTAL</b>	<b>\$0.5M</b>

**Notes**

- One-time costs are assumed to be borne by the Region.
- Initial People cost estimates are based on initial feasibility study analysis.
- Ongoing People costs are assumed to include approximately 30 Full-Time Equivalents as Vacant Home Tax Unit staff, such as Compliance Analysts, a Data Analyst, and a Coordinator at an average annual cost of \$110,000 (based on estimates identified through Peel and local municipal staff consultations).
- Ongoing Technology costs are based on estimates provided by the Region of Peel following discussions related to requirements including functionality, integration, and available platforms.

*\* Figures from initial feasibility study reflect total costs including those borne by local municipalities. Updated costs in bold reflect feedback provided by the Region.*

**Notes**

- One-time initialization / start-up costs are assumed to be borne by the Region.
- Given the highly automated nature of the identified process, it is not anticipated that ongoing incremental resources will be required in the Process category.
- Local municipalities identified that approximately four (4) additional FTEs may be required to support the ongoing implementation of the VHT and noted that unionized workforces across municipalities may result in the need to change job descriptions.
- Technology costs are based on initial feasibility study analysis and anticipated local municipality share of licensing, support, and maintenance costs for a vacant home tax module to be added to local property tax collection systems. Refined estimates will be gathered through further consultations with Peel and local municipal staff.

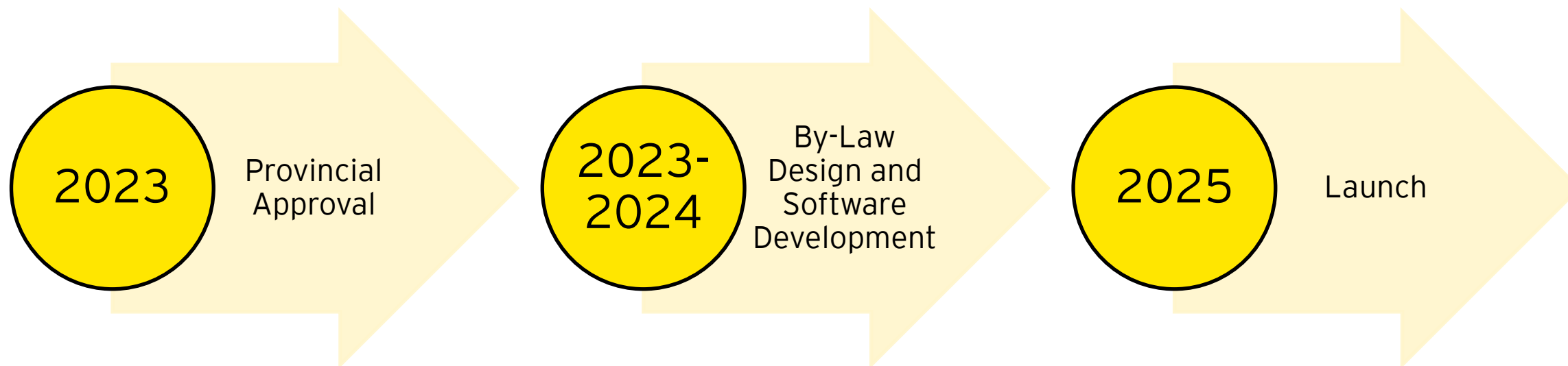


# Next Steps

## TENTATIVE IMPLEMENTATION TIMELINE

Once the VHT Program Design has been approved by Council, it may proceed through the next steps of implementation, as outlined in the tentative timeline below.

*Note: the timeline below represents the earliest potential implementation of a Vacant Home Tax in Peel. The timeline may be impacted by factors including software development delays, and is dependent on the timelines for local municipalities to implement new tax collection systems.*





## ADDITIONAL CONSIDERATIONS

Consultations with staff at the Region and local municipalities indicated recent real estate market trends, housing use and mix, and potential program cessation as key considerations in addition to specific design elements that may be used.

Context	Design	Looking Ahead
<ul style="list-style-type: none"> <li>Recent trends in the real estate market point to cooling property resale values and an increasing cost of rent. This, in addition to post-secondary students (both domestic and international) returning to in-person learning post-COVID may have an impact on the implementation of a VHT and potential revenues from the same.</li> <li>Some local municipalities such as Brampton are more concerned with illegal basement occupations and homes being turned into lodging properties than they are vacant homes.</li> <li>On the other hand, the amount of building completions have increased, positively contributing to housing stock. Typically, new units on the market tend to have a higher vacancy rate than existing units, which would have a positive impact on revenue from a VHT.</li> </ul>	<ul style="list-style-type: none"> <li>Significant collaboration would be required between the Region and the local municipalities to implement streamlined processes for audits and customer service.               <ul style="list-style-type: none"> <li>Peel may draw design patterns from Development Charges, Accessible Transportation, and the Housing Technology Initiative as examples where the Region, local municipalities, and agencies have collaborated.</li> </ul> </li> <li>Results of the province's regional review may result in changes to the overall VHT program design.</li> <li>Including VHT Notices with Property Tax Notices may increase postal costs by 20% should envelopes become overweight. As some local municipalities such as Brampton currently outsource billing, contracts may need to be revisited to include printing and adding materials to the billing process.</li> <li>Depending on volumes, a new collection process for off-billing cycle may impact current staffing levels.</li> <li>Some municipalities, including Toronto, allow residents to provide written or online declarations. A written declaration form may be provided at the time of notice.</li> </ul>	<ul style="list-style-type: none"> <li>Should Regional Council approve the implementation of a Vacant Home Tax, it will also be important to obtain approval from each of the local municipal councils. It is recommended to secure local municipal council approval prior to proceeding with implementation of the Vacant Home Tax.</li> <li>It will be important for the Region to consider future implications to the Vacant Home Tax should the program be successful in achieving its' policy goals of increasing housing supply.</li> <li>In the case that net revenue does not justify administrative costs of the VHT program, the Region may need to consider measures to pause or terminate the tax.</li> </ul>

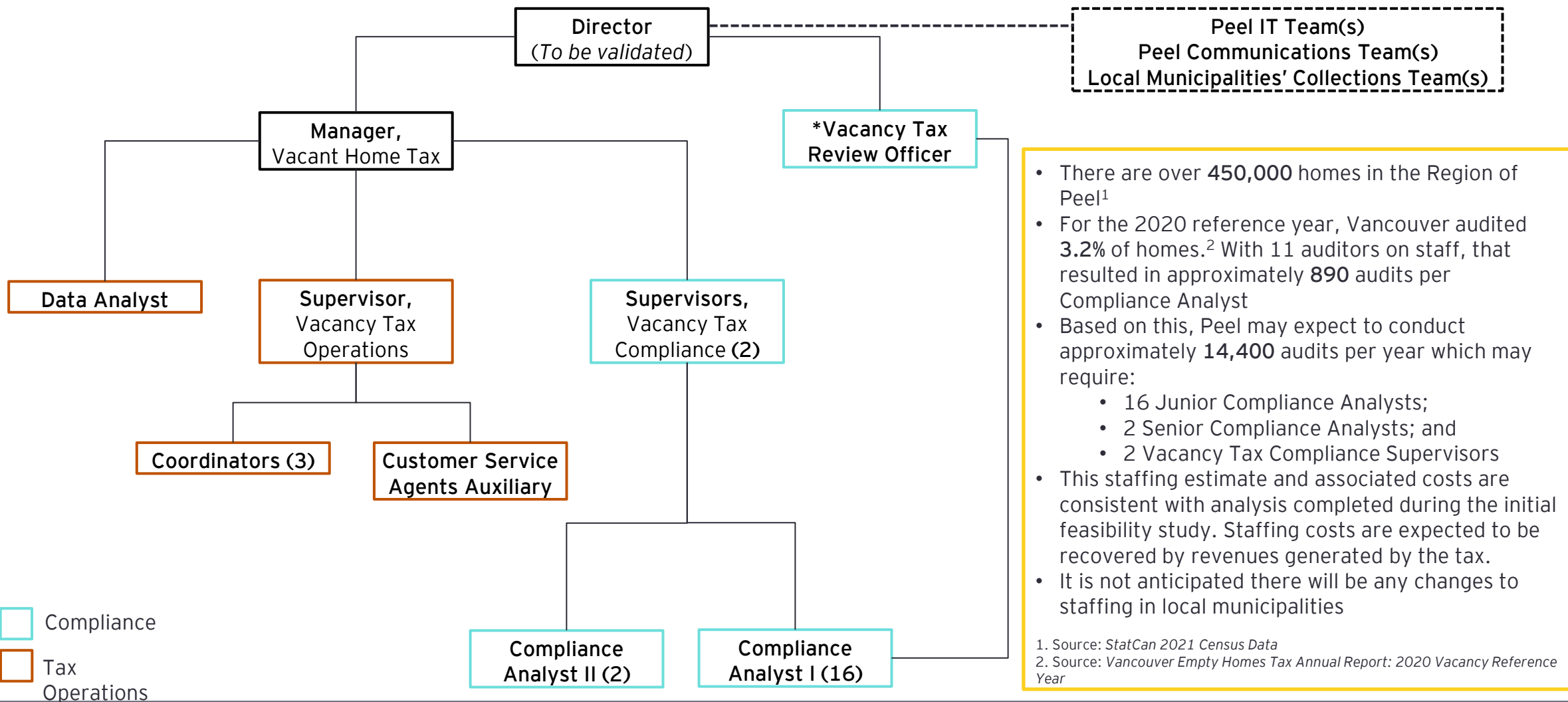
## DELIVERY MODEL | KEY RISKS

- 1** Requires developing integrations between existing (and new) systems and processes in the Region and the municipalities to facilitate information sharing on tax payment status, arrears, status of enforcement actions etc. Breakdown in information sharing may lead to lost revenue.
- 2** Potential for duplication of effort if audit and compliance teams at the Region are unable to effectively pursue enforcement actions due to lack of support at the municipal level.
- 3** May create perception of multiple points of contact for the resident for resolution of queries and grievance redressal, leading to confusion and frustration.
- 4** Documentation requirements for audits may make use of data not covered by existing data sharing agreements or otherwise not readily available. Verification of these cases may become very difficult and inconsistent.
- 5** Upfront and ongoing investments would be required to establish declaration, collection, and audit functions. Should revenue not materialize as expected, the program may generate negative net revenue and operations may be difficult to cease.

# Appendix

# STAFF ORGANIZATIONAL CHART | PEEL VACANT HOME TAX UNIT

It is estimated that approximately 30 new Full-Time Equivalent positions may be needed in a dedicated vacant home tax organization.



# DECLARATION AND REPORTING - EXEMPTIONS CONSIDERED

Exemption	Definition	Rationale	Municipalities that include this exemption
1	Snowbirds/ Holiday Home	Homes owned by snowbirds, or used as holiday homes are exempt if the property is lived in for a minimum of 4 weeks every year	Toronto
2	Inability to find tenant or buyer	This includes the situation where the owner could not find suitable tenant(s) for their property or the property has been listed for sale for an extended amount of time	Vancouver
3	Rental Restriction or Prohibition	Property was subject to a strata rental by-law that prohibited rentals or restricted the number of units that may be rented, and the maximum allowable number of rentals had already been reached	Vancouver
4	Furnished accommodations such as second homes	Any properties that are furnished and set up to be used as a second home is exempt from this tax. However, by declaring the unit to be a second home, it is then subject to the "Owner Tax", which is 3% of home's fair market rental value	Paris
5	Rezoned within the previous year	Properties that were recently rezoned by the City are exempt for one cycle before being subject to a 1% vacant land tax	Melbourne
6	Premises are uninhabitable	If the premise is deemed uninhabitable, the City will not charge owners the Tax	Paris
7	Large renovations	Renovations that are greater than or equal to 25% of the total value of the property are exempt from the tax, until renovations are completed	Paris
8	The unit is of low value	Any vacant properties whose market value is lower than €300,000 (approx. \$440,000 CAD) is exempt from the tax	Paris
9	Work purpose unit	The property is used and occupied for work purposes for at least 140 days of the year	Melbourne
10	Limited-Use Residential Property	Property was unoccupied for more than six months (184 days) because the use of the property is limited to vehicle parking; or a residential building could not be constructed due to the size, shape, or other inherent limitation of the parcel.	Vancouver

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