
REPORT TITLE: **Vacant Home Tax - Update**

FROM: Patricia Caza, Chief Financial Officer and Commissioner of Corporate Services

RECOMMENDATION

That the Region of Peel pause efforts of obtaining a Vacant Home Tax designated status from the Minister of Finance pending further details regarding the implementation of Bill 112, *Hazel McCallion Act (Peel Dissolution)*, 2023.

REPORT HIGHLIGHTS

- At its meeting on April 27, 2023, Regional Council directed staff to proceed with the implementation of the VHT program including the submission of a formal request to the Minister of Finance for designated authority for VHT in Peel. The submission would include Letters of Support from local municipalities which have not been received.
- Bill 112, *Hazel McCallion Act (Peel Dissolution)*, 2023, received Royal assent on June 8, 2023 and has initiated a process to dissolve the Region of Peel effective January 1, 2025.
- The Council-approved VHT program delivery model is based on a two-tiered municipal structure which assigned the majority of core responsibilities to Peel Region, while local municipalities would be responsible for some functions. The associated feasibility analysis was based on a region-wide program model. Bill 112 essentially changes that two-tiered municipal structure by dissolving Peel Region.
- Bill 112 provides for the establishment of a Transition Board to make recommendations on implementing the municipal restructuring. Details of the transition including matters as they relate to Regional roles and responsibilities are not known at this time and are to be addressed in future reporting to Regional Council.
- It is prudent to pause the VHT submission to the Province until further direction and clarity is provided by the Transition Board.
- While the VHT initiative is on hold, Peel Region will continue efforts to address the affordable housing crisis and to strengthen the capacity of the Service Manager and community housing sector to respond to rapidly growing community needs.
- A copy of the subject report will be shared with the Town of Caledon, City of Brampton and City of Mississauga for their information.

DISCUSSION

1. Background

The *Municipal Act, 2001* permits a municipality, if designated by the Minister of Finance through a regulation, to impose a vacant home tax (VHT) on residential units that are defined as vacant.

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A VHT is designed to encourage vacant homeowners to sell or rent vacant units to the market, which in turn may help increase housing supply and optimize existing housing stock.

At the January 14, 2021 Regional Council meeting, Council passed a resolution directing staff to conduct a feasibility study to assess the appropriateness and applicability of potential implementation of a Vacant Homes Tax (VHT) in Peel Region.

Staff recommended a multi-phased approach towards a potential VHT implementation in Peel and retained Ernst & Young LLP (EY) to conduct feasibility studies. Findings from the feasibility studies (Phase 1 and Phase 2) were presented to Regional Council for consideration.

Phase 1:

- A feasibility study outlining initial research findings of potential program parameters, revenue and cost estimates.
- The findings of this phase were presented to Council at the January 27, 2022 Regional Council meeting.
- It was determined that a VHT would be a feasible housing policy tool with revenue positive benefits that could be used to further support affordable housing initiatives in Peel.

Phase 2:

- Public consultation to gauge the level of public support.
- Development of a finalized program design with detailed program parameters and updated financial estimates.

At its April 27, 2023 meeting, Regional Council approved the recommendations presented in the staff report entitled Vacant Home Tax – Public Consultation and Program Design which included recommendations to submit a request to the Minister of Finance that Peel Region be a designated municipality with authority to impose a vacant home tax should Council opt to do so in the future.

2. Status Update and Bill 112 Implications

In order to achieve designation from the Province, submissions to the Minister of Finance should include some indication of support from local municipalities. Regional Council approved a recommendation to request a letter of support from the mayors of each local municipality for the Region's submission. A letter extending this request was sent from the Regional Chair to the three mayors on May 10, 2023 (Appendix I).

Letters of support from the local municipalities have not yet been provided. The Town of Caledon Council considered the Region's request at its June 6, 2023 General Committee meeting and passed a motion at its June 20, 2023 Council meeting stating that the Town is not in a position to support the Region of Peel's Vacant Home Tax submission at this time.

On June 8, 2023, Bill 112, *Hazel McCallion Act (Peel Dissolution), 2023* received Royal Assent. Bill 112 provides that the Regional Municipality of Peel will be dissolved, and the local municipalities will become single-tier municipalities effective January 1, 2025.

The development of the proposed Peel Region VHT program was completed prior to the introduction and passage of Bill 112. The feasibility studies and the associated financial analysis were based on a Regional program model. The VHT program delivery model, as approved by

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Regional Council, assigned the majority of core responsibilities to Peel Region, while local municipalities would share some functions such as tax billing/collections and a collaborative customer service role.

One of the key elements of Bill 112 is the establishment of a Transition Board, which will make recommendations to the Province regarding the restructuring of municipal governance in Peel. As details of the transition, including matters as they relate to Regional roles and responsibilities, are not known at this time, it is prudent to pause the VHT submission to the Province until there is sufficient clarity regarding roles and responsibilities to determine an appropriate path forward.

3. Housing

Peel Region continues to face an affordable housing crisis that requires a range of policy levers and programs to adequately address the issue. In suitable municipalities, VHT has proven to be an effective measure to return vacant homes to market and provide funding towards other affordable housing initiatives. While VHT work is being paused in light of Bill 112, other Peel Region housing projects and services will continue through transition. Of note, at the June 8, 2023 Regional Council meeting, Regional Council endorsed the principles for approaching Peel Region's workplan which identified community housing construction and housing programs as one of the key principled areas for continued investments and service provision. These efforts underscore the importance of housing service needs and requirement for various government policies to support housing initiatives.

CONCLUSION

The implementation of Bill 112 creates significant uncertainty regarding the application of a VHT program in Peel Region. Pausing the VHT program implementation until there is more clarity is prudent and minimizes the impacts to other municipalities. While the VHT initiative is on hold, Peel Region will continue efforts to address the affordable housing crisis and to strengthen the capacity of the Service Manager and community housing sector to respond to rapidly growing community need.

APPENDICES

Appendix I - Letter to Mayors – Vacant Home Tax Letter of Support for Peel Region's Submission, May 10, 2023



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