



**City of Kingston  
Report to Council  
Report Number 25-002**

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**To:** Mayor and Members of Council  
**From:** Desirée Kennedy, Chief Financial Officer & City Treasurer  
**Resource Staff:** Lana Foulds, Director, Financial Services  
Jeff Walker, Manager, Taxation & Revenue  
**Date of Meeting:** April 1, 2025  
**Subject:** Feasibility of a Vacant Home Tax Program

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**Council Strategic Plan Alignment:**

Theme: Financial measures/budget

Goal: See above

**Executive Summary:**

One of the initiatives of Ontario's Fair Housing Plan was legislation that empowers municipalities to implement a Vacant Home Tax (VHT) within their jurisdictions to encourage property owners to either sell unoccupied housing units or begin renting them, to increase the supply and affordability of housing. A VHT is an additional charge that is levied against any qualifying vacant property in a municipality. What constitutes a property as being classified as "Vacant" is determined by the rules and parameters established by the municipality.

This report is in response to Council's direction to engage a consultant to review the feasibility and affordability of implementing a tax on vacant residential units for the Kingston market. The consultant was tasked with identifying the potential number of vacant housing units that may be subject to the vacant homes tax, estimating startup and ongoing costs to implement and maintain a VHT program, determining the program's anticipated impact on increasing secondary rental housing and enhancing affordability, and recommending potential next steps.

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The consultant's report is attached as Exhibit A to Report Number 25-002. This report summarizes the consultant report's findings. After evaluating the potential risks, the expected number of housing units that could be returned to the market, the significant investment required to design, implement, and manage a VHT program, and the potential risks inherent in the financial projections, staff do not recommend moving forward with the implementation of a VHT program for the City of Kingston.

**Recommendations:**

**That** Council receive the consultant report providing a comprehensive assessment, including recommendation, of the feasibility and affordability of implementing a residential Vacant Home Tax in the City of Kingston, attached as Exhibit A to Report Number 25-002; and

**That** no further steps be taken to implement a Vacant Homes Tax program for the City of Kingston.

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**Authorizing Signatures:**

ORIGINAL SIGNED BY CHIEF

FINANCIAL OFFICER & CITY TREASURER

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**Desiree Kennedy, Chief  
Financial Officer & City  
Treasurer**

ORIGINAL SIGNED BY CHIEF

ADMINISTRATIVE OFFICER

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**Lanie Hurdle, Chief  
Administrative Officer**

**Consultation with the following Members of the Corporate Management Team:**

Paige Agnew, Commissioner, Growth & Development Services

Jennifer Campbell, Commissioner, Community Services Not required

Neil Carbone, Commissioner, Corporate & Emergency Services Not required

David Fell, President & CEO, Utilities Kingston Not required

Ian Semple, Acting Commissioner, Transportation & Infrastructure Services Not required

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**Options/Discussion:****Background**

As part of [Report Number 23-193](#), staff provided preliminary information on a Vacant Home Tax (VHT) program. The report included background information on the VHT program requirements, considerations for designing a VHT program, as well as an analysis of best practices. The report recommendation included direction to staff to engage a consultant to review the viability of a VHT program in the City of Kingston.

The consultant report, prepared by KPMG, is attached as Exhibit A to Report Number 25-002, and provides a detailed review of the feasibility of implementing a VHT program in the City of Kingston.

Vacant homes impact the limited availability of housing inventory in the housing markets. In turn, this has led to rising housing prices, affordability challenges, and other social and economic consequences. As of March 2024, municipalities in Ontario have had the ability to impose a VHT in their municipality. The main concept of a VHT is to impose a fee on owners of residential properties where the home has been declared or deemed to be “vacant”. The amount owing each year is determined by multiplying the assessed value of the home (determined by MPAC) by the VHT rate (set by Council). This additional cost is intended to encourage property owners to sell or rent their unoccupied homes. Municipalities that decide to implement a VHT are provided a Provincial Policy Framework to guide the program implementation. The framework ensures the program implementation includes common elements such as a definition of vacancy, recommended exemptions, tax rates, tax collection and administration, appeals and dispute resolution, public consultation, and annual reporting.

Currently, five single-tier Ontario municipalities have implemented a VHT program: Toronto, Ottawa, Hamilton, Sault Ste. Marie, and Windsor. The consultant's report, attached as Exhibit A, provides a comparison of the similarities and differences between the five municipal programs. While the programs share a number of common program elements, including the definition for a vacant property and exemption criteria, they differ in their methods for identifying vacant units, as well as the VHT rates being applied to the assessed value of a vacant home.

**Analysis****KPMG Vacant Homes Tax (VHT) Program Feasibility Study**

KPMG's review process involved an analysis of the following elements:

1. Project overview
2. VHT background
3. Current housing market conditions
4. Benchmarking comparators

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5. Policy consideration
6. Financial modelling
7. High-level implementation plan
8. Next steps
9. A detailed summary of competitor municipalities

A summary of key information and highlights from the report is provided below.

### **Objectives of a Vacant Homes Tax**

While the revenue generated from a VHT could be used to strategically invest in other municipal initiatives, such as affordable housing, the primary objective of the program is to motivate change in behaviour of property owners that would result in vacant units being available for occupancy. Owners may be encouraged to either sell or rent underutilized properties.

### **Policy Considerations**

Municipalities need to address several policy considerations when implementing a VHT to ensure that the tax is effective at meeting its objectives. The program elements as described below form the basis upon which a by-law would be prepared to implement a VHT program.

- Definition of “Vacant”

As per Ontario legislation, a VHT by-law must contain a defined condition of vacancy that, if met, makes a unit subject to the tax. Municipalities that have implemented a VHT in Ontario have used a common definition of vacant as “any residential unit unoccupied for more than 183 days (six months) in a taxation year”.

- Exemptions

Municipalities must also determine any exemptions to the definition of a vacant unit. The Province has provided a list of recommended exemptions for municipalities to consider in a VHT program. Examples of exemptions for a vacant unit could include:

- Principal residences
- Properties that are rented out by a tenant for six months of a year
- Properties owned by a registered property owner who has died in the applicable tax year
- Properties owned by a registered property owner who is in care, for example hospitalized
- Ownership of the property was transferred in the tax year
- A seasonal property
- The property is undergoing major redevelopment or renovations

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## Identification of Vacant Homes – Declaration Requirements

Three different methods have been used by municipalities in Ontario for residents to declare if a property is vacant. These three methods are:

- Mandatory self-declaration

Self-declaring a vacant home is a formal acknowledgment via the property owner of whether their home is occupied or vacant. Residents self-declare the status of their property, typically by filling out a form or submitting a statement to the municipality indicating whether their home is occupied or vacant. If the property is vacant, this declaration may require them to provide additional information, such as the duration of the vacancy and reasons for the vacancy. All residents within the municipality would need to submit a declaration, whether or not the property is occupied.

A self-declaration system promotes transparency among property owners, allowing municipalities to gather detailed information about vacant properties. However, it can be administratively burdensome both on residents and the municipality.

- Declaration by exemption

Declaration by exemption is a subset of self-declaration and means that only homeowners of properties that are considered vacant are required to actively declare this status. All other properties are assumed to be occupied by default but may be subject to audits and compliance checks to verify occupancy. This approach minimizes the administrative burden on the municipality by reducing unnecessary paperwork for occupied properties.

Declaration by exemption relies heavily on property owners of vacant homes to properly declare their property as vacant. This method requires a strong compliance and audit process to identify undeclared vacant properties. However, even with such measures, some unoccupied properties could still go undeclared and avoid the VHT.

- Complaint or tip-based

A complaint or tip regarding vacant homes can take various forms, depending on the specific concerns or observations of the individual. However, a complaint or tip is usually by the action of a resident who is not the owner of the potential vacant home. For example, residents can tip the local authorities about vacant homes that may not have been declared. This method minimizes administrative burden as declarations are only initiated when a complaint or tip is received.

The complaint or tip-based method relies on community reporting which can be inconsistent or biased, potentially leading to incorrect reporting or unfair application of the VHT.

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## VHT Rate and Estimated Revenues

Municipal VHT programs currently in place in Ontario vary in the tax rate being applied to vacant properties. Tax rates range from 1% of the assessed value of the property for programs in Ottawa and Hamilton, 3% for properties in Toronto and Windsor, and 4% for Sault Ste. Marie. The City will need to assess whether a higher or lower rate would best suit the goals of a VHT program, balancing higher tax revenues and possibly a greater deterrent effect at a higher rate like 3% with a more palatable and less burdensome approach with a 1% rate.

The City of Kingston's average 2024 residential property tax rate was 1.429446%. An average residential property valued at \$328,099 had a property tax bill, including municipal and education levies, of \$4,690. An additional VHT rate would increase the annual property tax levied against a qualifying vacant residential property as follows:

In 2024 a residential property with an average assessed value of \$328,099 would have received a tax bill of \$4,690, including municipal and education levies.

- A 1% VHT rate would add \$3,281 to the average annual residential tax bill.
- A 3% VHT rate would add \$9,843 to the average annual residential tax bill.

Vacant properties with assessments higher or lower than the average residential property assessment of \$328,099 would see higher or lower VHT increases accordingly.

## Financial Modelling

The KPMG feasibility study analyzed revenue and cost projections for a VHT program focusing on a comparison between mandatory declaration-based and complaint-based programs, utilizing various tax rate and estimated vacancy rate scenarios. Note, for the purposes of estimating VHT revenue in the report, KPMG used an average current value assessment for a residential property of \$333,100, which incorporates newly constructed properties built since 2016 into the average calculation. The slight difference in the average assessment calculation will not impact any resulting analysis.

The findings from this analysis are presented in detail on pages 32-42 of Exhibit A and are briefly summarized below.

### Study Assumptions:

To estimate VHT revenues and costs, KPMG utilized a number of assumptions based on the results of VHT implementations in other municipalities and stakeholder consultations.

- Eligible vacant units

KPMG analyzed vacancy rate scenarios by using water consumption data. A no-utility consumption level for a 6-month period and a limited utility consumption level for the same period were used as thresholds for determining the potential number of vacant residential units.

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This method provided a range of both conservative and slightly less conservative estimates of the total potential vacant residential properties within the city.

Based on this analysis KPMG estimated the total number of eligible vacant units in the no-utility consumption scenario to be 162 and in the limited utility consumption scenario, a total of 357 eligible vacant units. This equates to a range of 0.39% to 0.86% of the total housing units respectively.

To factor in the number of vacant properties that could be exempt from the VHT, KPMG utilized a vacant unit eligibility ratio of 40%, consistent with data from the City of Vancouver and the City of Ottawa's VHT programs.

- Non-compliance rate

The percentage of anticipated non-compliant homeowners, who will either not declare or will declare inaccurately, was estimated at 5% using data from the City of Vancouver and City of Ottawa VHT programs.

- Percentage of vacant homes re-entering the market:

KPMG conducted an analysis to estimate the response rates of homeowners re-entering the housing market for different tax rate scenarios. These estimates, ranging from 5-8%, were derived from data collected from the City of Vancouver and supplemented by further analytical efforts.

### **VHT Program Revenues**

While VHT program revenues would come primarily from the VHT rate applied to a vacant property's assessment, revenue would also be realized from penalties imposed on property owners who are found to be non-compliant or fraudulent in their declarations.

### **VHT Program Costs**

The costs of a VHT program can be categorized into two groups – implementation costs and ongoing operating costs.

One-time implementation costs of a VHT program include salaries of the project management team, technical systems, and process development and public communications and awareness.

The estimated implementation costs for a declaration-based program range from \$535,500 and \$995,000, depending on the technology costs associated with implementing a new system to manage the VHT. Costs are assumed allocated over a three-year implementation period. Implementation costs for a complaint-based program are estimated at approximately \$107,000.

The ongoing operational costs to run the program include salaries of the tax administration and compliance team, public communications, and ongoing system support and maintenance.



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Ongoing costs for a declaration-based program are estimated at approximately \$240,000 annually. Ongoing costs for a complaint-based program are estimated at approximately \$74,000.

### **Summary of Financial Analysis**

VHT program options can be evaluated in reference to the resulting increase in housing supply, as well as the ability to generate tax revenue to support housing affordability and other municipal initiatives.

Based on KPMG's review, a declaration-based program most effectively aligns with the objective of increasing housing availability, by potentially returning more residential units back into the rental or sales market, while also generating more revenues to support housing affordability and other municipal initiatives than a complaint-based program. It is important to note that, while revenue estimates are higher under a declaration-based program, the implementation and operational costs associated with this model are also significantly higher.

The table below provides a summary of KPMG's financial analysis for a declaration-based program, with vacant units identified based on a range of no-utility consumption to limited utility consumption, under a variety of VHT rates. The subsequent table provides a summary of KPMG's financial analysis for a complaint-based program with vacant units identified based on the limited utility consumption scenario only.

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**Summary of financial analysis – Declaration Based Program**

Declaration Based Program										
	No-Utility Consumption					Limited Utility Consumption				
Vacant Home Tax Rates	1.0%	1.5%	2.0%	2.5%	3.0%	1.0%	1.5%	2.0%	2.5%	3.0%
Estimated 5-Year Average Annual Revenues	\$189K	\$275K	\$361K	\$438K	\$517K	\$410K	\$596K	\$783K	\$949K	\$1.1M
Estimated 5-Year Average Annual Operating Costs	\$249,800									
Estimated Implementation Costs	\$535,500									
Estimated 5-Year Revenues less Costs	(\$838K)	(\$408K)	\$22K	\$405K	\$802K	\$266K	\$1.2M	\$2.1M	\$3.0M	\$3.8M
Estimated Decrease in Total Vacant Units (over 5 years)	13	16	17	19	21	28	34	37	42	45

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**Summary of financial analysis – Complaint Based Program**

Complaint Based Program					
	Limited Utility Consumption				
Vacant Home Tax Rates	1.0%	1.5%	2.0%	2.5%	3.0%
Estimated 5-Year Average Annual Revenues	\$78K	\$112K	\$149K	\$187K	\$224K
Estimated 5-Year Average Annual Operating Costs	\$76,800				
Estimated Implementation Costs	\$107,610				
Estimated 5-Year Revenues less Costs	(\$117K)	\$68K	\$255K	\$441K	\$627K
Estimated Decrease in Total Vacant Units (over 5 years)	5	6	7	8	9

**Conclusions and Recommendation**

Assuming the number of potential vacant units falls somewhere within the range defined by the no-utility consumption and limited utility consumption measures, and assuming a tax rate of 1.0% to 1.5%, it is reasonable to anticipate that program revenues will be sufficient to recover associated costs over a five-year period. It is less likely that the program will generate additional surplus funds to support other municipal initiatives.

It is also important to evaluate the level of financial investment and staffing resources required to implement and manage the declaration-based program relative to the potential number of vacant units that could be added back to the city’s housing supply, as well as the likelihood that property owners would be motivated to take action based on a VHT levy being applied.

Based on KPMG’s review, a declaration-based program would align with the objective of increasing housing availability; however, assuming a tax rate of 1.0% to 1.5%, it is estimated

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that a declaration-based VHT program would only generate an additional 2 to 7 available units per year (13 to 34 units over 5 years).

A number of risks associated with implementing a VHT have also been considered:

- Program expectations will be influenced by the assumptions used in the financial modelling which reflects considerable variability, largely influenced by the assumptions used to determine qualifying vacant units based on utility consumption.
- A VHT program may not be successful in motivating a change in behaviour and increasing housing availability by returning homes back to the rental or sales market.
- Negative reaction from residential property owners regarding a VHT program is expected. A mandatory declaration-based VHT would require an action from all property owners to declare the status of their property annually.
- Residents will not declare or will make a false declaration. In a mandatory declaration-based program a homeowner who does not declare their occupancy status could automatically be levied the VHT rate. Penalties could be applied for false declarations.
- Other external factors could impact the number of vacant units each year, resulting in fluctuating revenues year over year.

It is also important to note the recent improvement in the Kingston Census Metropolitan Area's (CMA) vacancy rate as reported by Canada Mortgage and Housing Corporation (CMHC) for the purpose-built rental housing market. Up from 0.8% in 2023, Kingston CMA's vacancy rate in 2024 was 2.9%. In 2023, Kingston CMA's vacancy rate was among the lowest of Ontario CMAs. In 2024, Kingston CMA's vacancy rate was reported to be above the provincial average of 2.7%. A vacancy rate of around 3% is typically seen as a healthy balance between supply and demand, helping to stabilize rent levels. The Kingston vacancy rate data reflects only the primary rental market, which includes rental units in private residential buildings containing three or more rental units; however, it does indicate an overall improvement in the availability of housing inventory.

In consideration of the risks and other analysis noted above and based on the projected number of units that could potentially be added back to the city's housing supply through the implementation of a VHT program, the level of investment that would be required to design, implement, and manage that program, and the expectation of property owners to declare their property status each year, staff are not recommending the implementation of a Vacant Homes Tax program.

The program would require substantial administrative resources to enforce compliance, including annual property status declarations from owners. Given these factors, along with

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uncertainties surrounding the program's effectiveness in addressing housing supply challenges, staff conclude that the costs and complexities outweigh any potential benefits.

Council has previously endorsed other housing related initiatives - including the Rental Housing – Community Improvement (CIP) Plan, the Additional Residential Units (ARU) program, and various affordable and supportive housing projects - all of which have successfully delivered a positive return on investment by generating housing supply. Staff will continue to explore other housing supply related opportunities.

**Financial Considerations**

The original procurement for consulting services to support the review of a Vacant Homes Tax program included two phases of work: Phase 1 – the feasibility of a vacant homes tax, and Phase 2 – an implementation plan, if required. Council previously approved a budget of \$100,000 for Phase 1 of the review, to be funded from the Working Fund Reserve. Consulting service fees for Phase 1 of the work on the Vacant Homes Tax program totalled \$98,955.

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**Other City of Kingston Staff Consulted:**

Sukriti Agarwal, Manager, Policy Planning

**Exhibits Attached**

Exhibit A – Vacant Homes Tax (VHT) Program Feasibility Study



# The City of Kingston

## Vacant Homes Tax (VHT) Program Feasibility Study

Final Report

January 7, 2025



# Disclaimer

This deliverable has been prepared by KPMG LLP (“KPMG”) for the City of Kingston (the “Municipality” or “City”) pursuant to the terms of our engagement agreement with Client dated September 10, 2024 (the “Engagement Agreement”). KPMG neither warrants nor represents that the information contained in this deliverable is accurate, complete, sufficient or appropriate for use by any person or entity other than the Client or for any purpose other than set out in the Engagement Agreement. This deliverable may not be relied upon by any person or entity other than the Client or for any purpose other than set out in the Engagement Agreement. This deliverable may not be relied upon by any person or entity other than Client, and KPMG hereby expressly disclaims any and all responsibility or liability to any person or entity other than Client in connection with their use of this deliverable.

The information provided to us by Client was determined to be sound to support the analysis. Notwithstanding that determination, it is possible that the findings contained could change based on new or more complete information. KPMG reserves the right (but will be under no obligation) to review all calculations or analysis included or referred to and, if we consider necessary, to review our conclusions in light of any information existing at the document date which becomes known to us after that date. Analysis contained in this document includes financial projections. The projections are based on assumptions and data provided by Client. Significant assumptions are included in the document and must be read to interpret the information presented. As with any future-oriented financial information, projections will differ from actual results and such differences may be material. KPMG accepts no responsibility for loss or damages to any party as a result of decisions based on the information presented. Parties using this information assume all responsibility for any decisions made based on the information.

No reliance should be placed by Client on additional oral remarks provided during the presentation, unless these are confirmed in writing by KPMG.

KPMG have indicated within this deliverable the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the deliverable.

KPMG is under no obligation in any circumstance to update this deliverable, in either oral or written form, for events occurring after the deliverable has been issued in final form.

# Contents

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# Project overview

# Project overview

## Project Objectives

We understand the City of Kingston’s City Council passed a motion to engage a consulting team to review the feasibility of a Vacant Homes Tax (VHT) program. The City is seeking assistance of a consulting team to review the **feasibility** and **affordability** of implementing a VHT for the Kingston market to determine the program’s impact on increasing secondary rental housing and enhancing affordability.

Specifically, the outcomes of this review will be to identify:

1. Potential number of vacant housing units subject to the VHT
2. Estimated start-up and ongoing costs to implement and maintain the program
3. Recommended next steps for implementing a VHT program

## Project Drivers



Vacant homes have added pressure to the limited availability of housing inventory in the market. This has pushed up the price of housing to individuals and families in need, which has led to affordability challenges and other social and economic consequences in the Kingston community. Responding to the Ontario Fair Housing Plan, KPMG was engaged to assist the City with a comprehensive assessment of the feasibility and affordability of implementing a VHT to support the community.

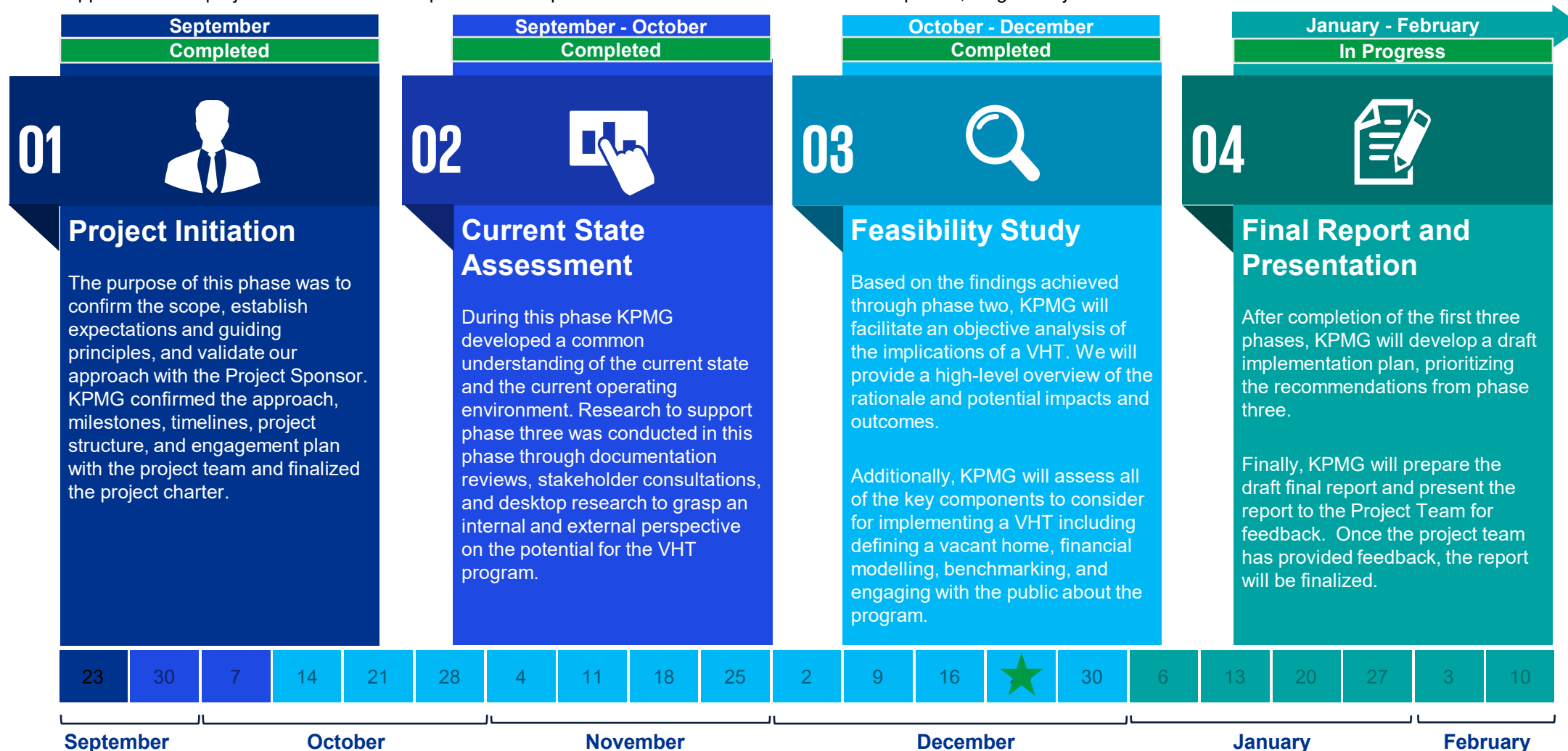
## Project Principles



- The knowledge and expertise of the City’s staff will be fully engaged and built upon, to arrive at recommended actions through a transparent, participative and inclusive process facilitated by KPMG.
- The review will be conducted in a way that engages the City’s employees.
- The aim is to, wherever possible, transfer knowledge and necessary tools to the City staff to enable them to better develop their own solutions to operational challenges over time.

# Project Phases

Our approach to the project is divided into four phases. Each phase is focused on the achievement of specific, tangible objectives and activities.

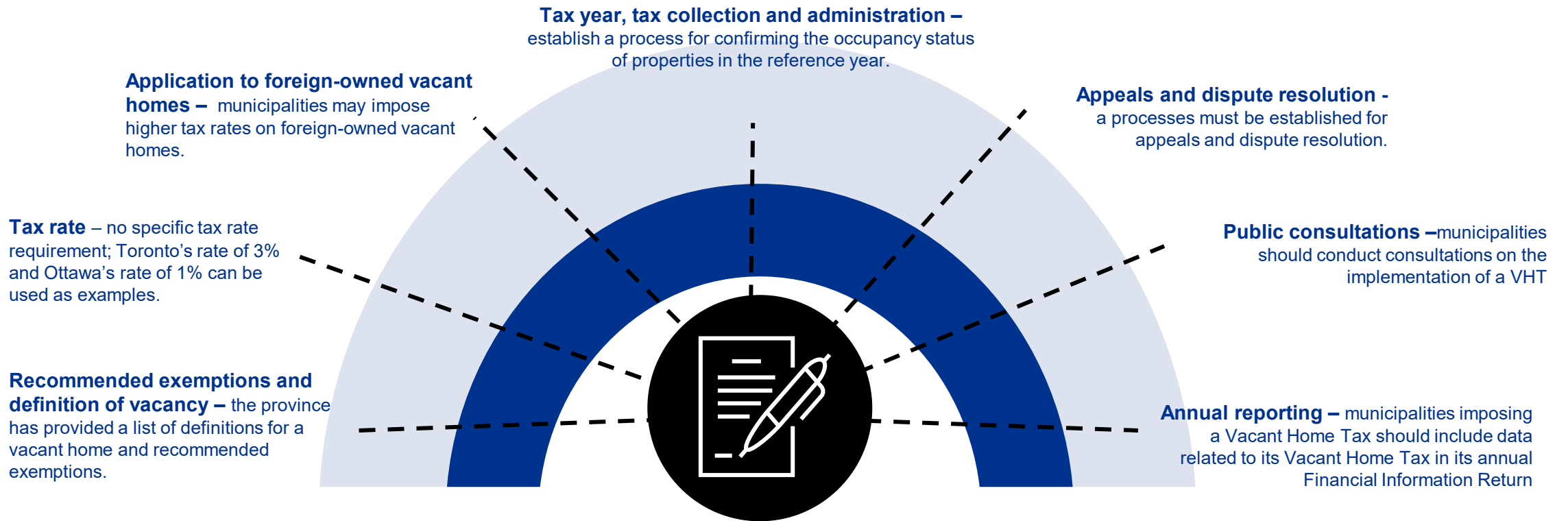


# VHT background

# Vacant Home Tax defined

Bill 127 (Stronger, Healthier Ontario Act), and Schedule 19 of this Act allows municipalities to implement a by-law to impose taxes on vacant residential units in certain circumstances.

Starting March 27, 2024, all (single- and upper-tier) municipalities in Ontario can impose a Vacant Home Tax on vacant homes. The tax is based on the assessed value of the home and is intended to encourage property owners to sell or rent their unoccupied homes. The Municipal Act, 2001 states that municipal Vacant Home Taxes may apply to residential units that are classified in the residential property class under the Assessment Act and are taxable under that act for municipal purposes. Municipalities that implement the tax are provided a Provincial Policy Framework to help with implementation and to ensure consistency. The Provincial Policy Framework for consideration of the VHT notes the following:



Source: <https://www.ontario.ca/page/municipal-vacant-home-tax#section-2>

# The City of Kingston – Vacant Homes Tax Program Feasibility Study

## Purpose of a Vacant Homes Tax

The government has recognized the pressing housing affordability crisis affecting many citizens, as rising property prices and stagnant wages create significant barriers to homeownership and rental stability. This ongoing issue not only strains household budgets but also impacts overall economic well-being, leading to increased financial stress and reduced quality of life for many families. Typically, there are two main drivers of the VHT:

### Increase housing supply and affordability

Imposing a vacant home tax targets residential properties that remain unoccupied for an extended period, incentivizing owners to either sell or rent these homes. This financial penalty is placed to **increase the overall housing supply by pushing underutilized properties into the market**. Additionally, it discourages speculative investments, as property owners are less likely to hold onto vacant homes without generating income, therefore alleviating financial pressures on renters and prospective homebuyers. Ultimately, this approach seeks to enhance housing affordability and stability within communities.

### Generate tax revenue for affordability initiatives

Tax revenue generated from a vacant home tax can be strategically **reinvested into affordable housing initiatives** (e.g., funding the construction of new affordable units and renovating existing properties). This revenue can also support rental assistance programs, helping families facing housing instability to secure safe and affordable homes. Additionally, grants can be provided to non-profit organizations that focus on housing solutions, enhancing their capacity to assist the community effectively. By channeling these funds into targeted programs, municipalities can significantly improve housing accessibility and stability for low- to moderate-income families



While the revenue generated from a Vacant Home Tax could be used to support the funding of affordable housing initiatives and community development on an interim basis, ultimately, the long-term goal of a VHT is to motivate a change in behaviour of property owners to **eliminate the need for such a tax by ensuring all homes are occupied**. This outcome would lead to a more stable housing market and reduced financial stress for families, addressing the root causes of the housing affordability crisis.

# Drivers for leaving homes vacant

There are numerous reasons why individuals may choose to keep their homes vacant. To gain a more clear understanding of the current landscape of vacant properties, various motivations have been identified through extensive research and the review of publicly available reports. KPMG has compiled a comprehensive list of short-, medium-, and long-term factors that contribute to the prevalence of vacant homes within municipalities. By understanding these drivers, City officials can better structure their tax policies to ensure the most effective implementation and management of vacant properties.

## Short-term drivers

**Planning to occupy or rent:** Owners may have immediate plans to move in or rent the property but have not executed those plans due to personal circumstances, such as waiting for a job transfer, completing renovations, or facing financial constraints.

**Market timing:** Homeowners might be waiting for more favorable market conditions to sell or rent their property, hoping to achieve a better price or rental rate.

**Legal issues:** Homeowners may be involved in legal disputes regarding the property, such as title issues or tenant evictions, which can delay occupancy or renting.

**Seasonal use:** Some properties are kept vacant for part of the year because the owner only uses them seasonally, such as vacation homes that are unoccupied during off-peak months.

## Medium-term drivers

**Investment strategy:** Homeowners may hold onto a property as part of a longer-term investment strategy, anticipating that property values will increase over time.

**Family situations:** Changes in family dynamics, such as divorce or the death of a family member, may lead to temporary vacancy while the owner decides how to proceed with the property. Additionally, owners may have relocated for work or personal reasons but plan to return to the area, keeping the home vacant until they decide to move back.

**Market research and personal development:** Homeowners may be conducting research on the rental market or property values, or pursuing personal development opportunities, such as education or travel, which temporarily keeps them away from their property.

**Health issues:** Health problems may prevent homeowners from occupying their property, leading to temporary vacancy while they recover or make arrangements.

## Long-term drivers

**Speculation:** Homeowners may believe that the property will appreciate significantly over time, leading them to hold onto it for several years before selling.

**Tax benefits:** Some homeowners may keep a property vacant to take advantage of certain tax benefits, such as deductions for mortgage interest or property taxes.

**Emotional attachment and inheritance:** Owners may have a strong emotional connection to the property or may have inherited it, making it difficult to sell or rent out while they decide how to manage it.

**Long-term travel:** Homeowners may choose to travel for extended periods, such as for work assignments or personal reasons, leaving their property unoccupied.

**Community and zoning changes:** Changes in the neighborhood, such as increased crime or declining property values, or potential zoning changes that could increase the property's value, may lead homeowners to keep their properties vacant while they reassess their options.

# Current housing market conditions



# Housing market condition

This section captures an overview of Kingston’s housing market conditions to set the context for the VHT and highlights the role a Vacant Homes Tax can play to raise funds for assisted housing programs and address affordability.

## Findings

The housing market in Kingston has experienced significant changes over the past two decades, reflecting broader economic trends and shifts in demand. The graphs to the right outline two key metrics used to evaluate housing market conditions: median value of owner-occupied dwellings and median rent by bedroom type.

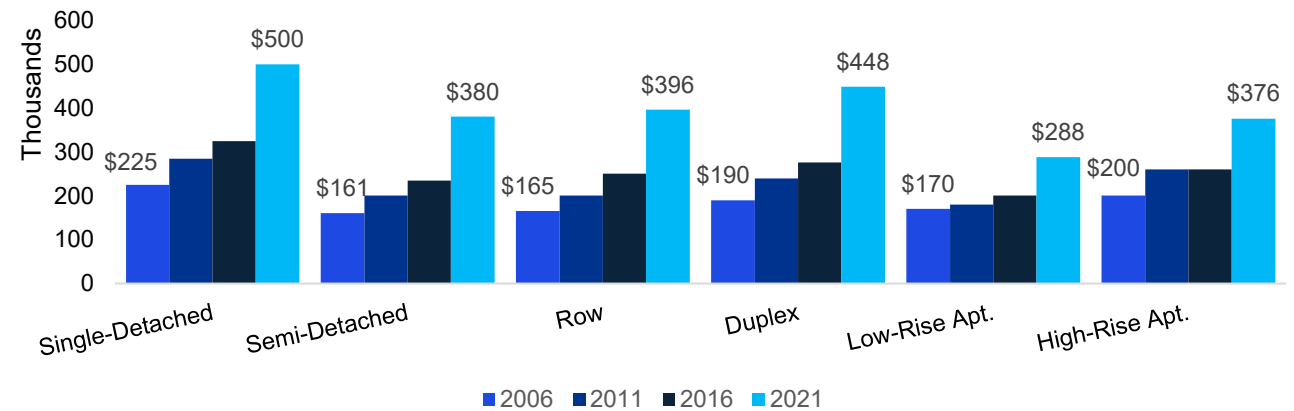
The first graph highlights the notable increases in the median values various types of owner-occupied dwellings from 2006 to 2021. Overall, the total median value of owner-occupied dwellings rose from \$200,615 to \$500,000, reflecting a 149% increase. This trend indicates a strong demand for residential properties, likely driven by factors such as population growth, economic development, and low-interest rates.

The rental market in Kingston has similarly experienced significant changes, with increases of 77% for bachelor units to 95% for two bedroom units. The upward trend in rental prices suggests a rising demand for rental properties, influenced by increased housing prices.

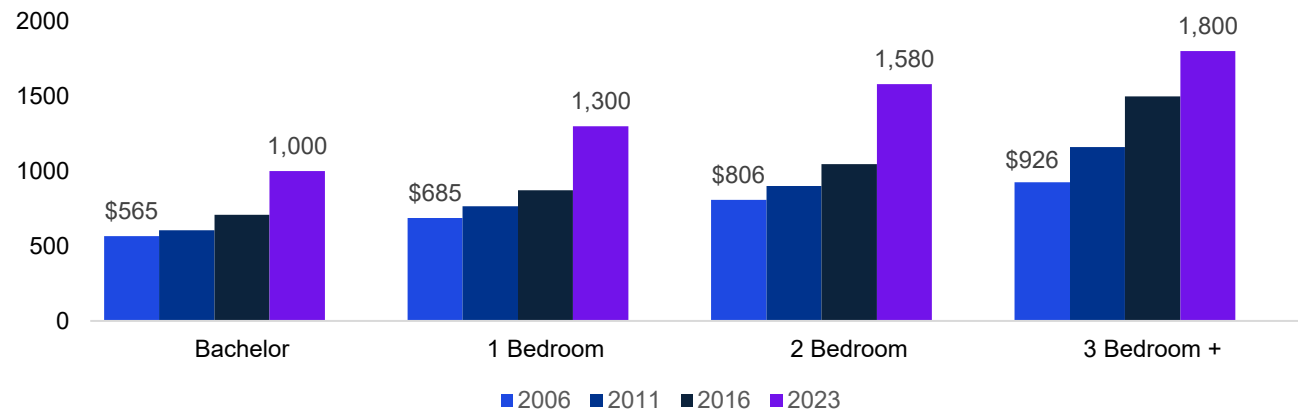
Overall, the data indicates a robust housing market characterized by rising values and rents.

Source: CMHC

## Median value of owner-occupied dwellings



## Median rent by bedroom type



# Housing market condition

## Findings

The vacancy rates in Kingston have shown significant fluctuations over the past decade. In 2013, Kingston's vacancy rate was at 2.3%, which was relatively healthy. However, this rate saw a decline in subsequent years, reaching a low of 0.6% in 2018. This trend indicates a tightening rental market, where the availability of rental units has decreased, leading to increased competition among renter. By 2023, the vacancy rate in Kingston had returned to 0.8%, reflecting ongoing challenges in the housing market.

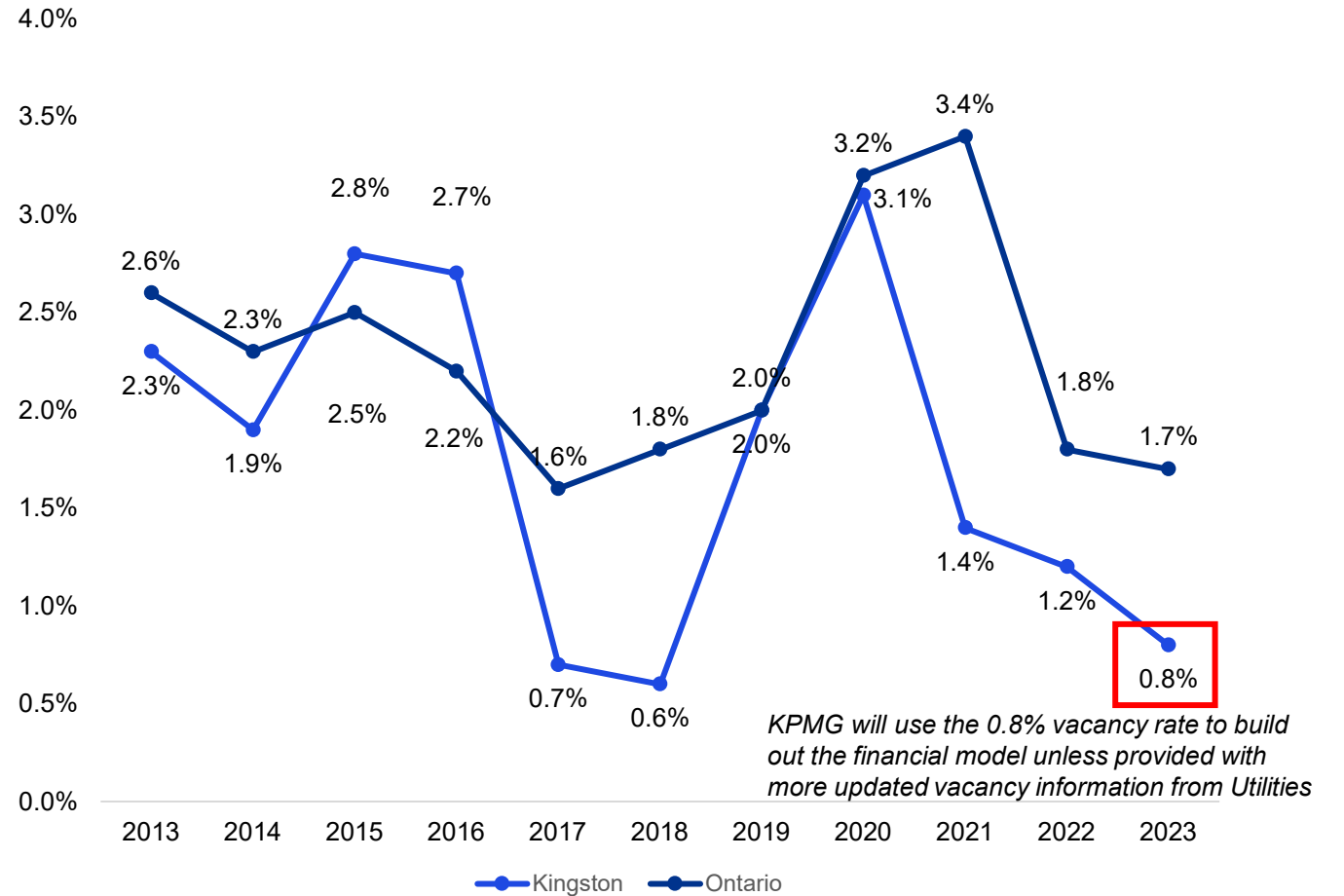
In comparison, Ontario's overall rental vacancy rates have also experienced a downward trend in the past 3 years, with a peak of 3.4% in 2021, followed by a decrease to 1.7% in 2023. This broader provincial context highlights that Kingston's vacancy rates are consistently lower than the provincial average, suggesting a more competitive rental market in Kingston.

Typically, as noted in Kingston's 2023 Housing Needs Assessment completed by Watson & Associates, a rental vacancy rate of approximately 3% is considered healthy, as it allows for a balance between supply and demand. The low average rental vacancy rates in Kingston continue to apply upward pressures to rental prices.

This situation underscores the need for effective housing policies and potential interventions, such as vacant home taxes, to address the challenges posed by low vacancy rates and to promote a more balanced housing market.

Source: CMHC

## Historical vacancy rates



# Housing market condition

## Findings

The analysis of housing conditions on the right reveals significant trends in core housing need. In this data, core housing needs are identified by three categories: affordability, adequacy, and suitability.

**Affordable** – Housing is determined affordable if it costs less than 30 per cent of before-tax household income.

**Adequate** – Housing is defined as adequate if it does not require any major repairs, according to residents.

**Suitable** – Housing is defined as suitable if it is determined to have enough bedrooms for the size and make-up of resident households.

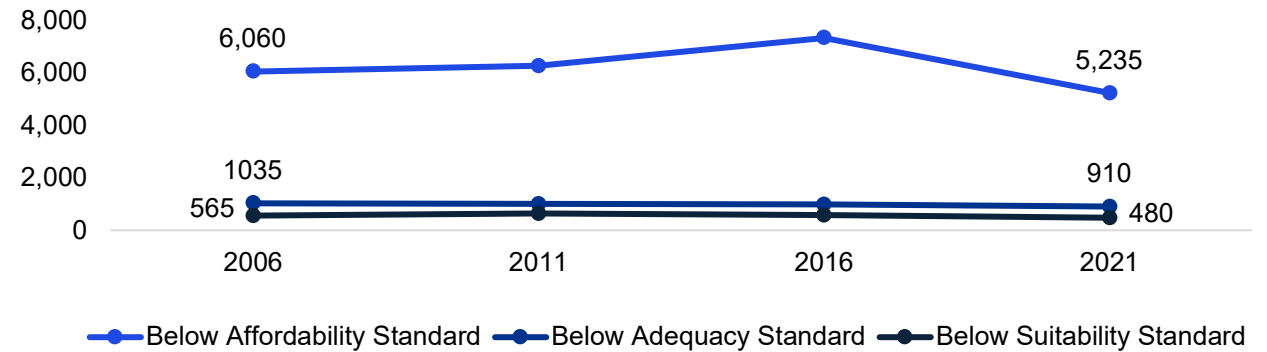
This graph highlights affordability as the largest challenge facing Kingston residents.

The issue of affordability is also displayed in the second chart alongside comparators. The graph outlines that 11.7% of Kingston homeowners and 42% of Kingston tenants (the highest of the comparators, including Toronto) spend over 30% of their income on shelter costs. This indicates significant affordability challenges for renters.

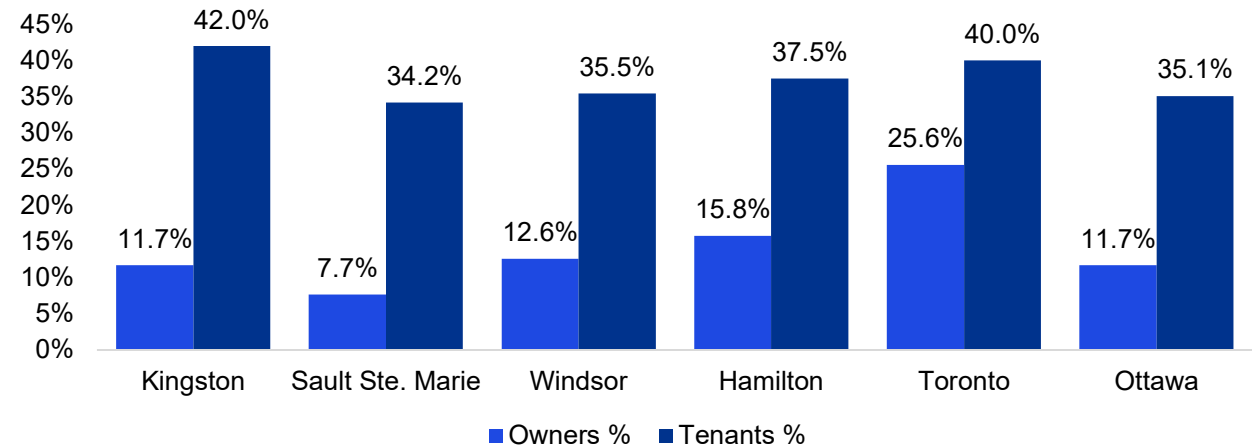
These statistics highlight the pressing need for affordable housing solutions in Kingston to improve housing stability and quality of life for its residents.

Source: 1 – CMHC, 2 - Statscan census data

## Number of homes in core housing need<sup>1</sup>



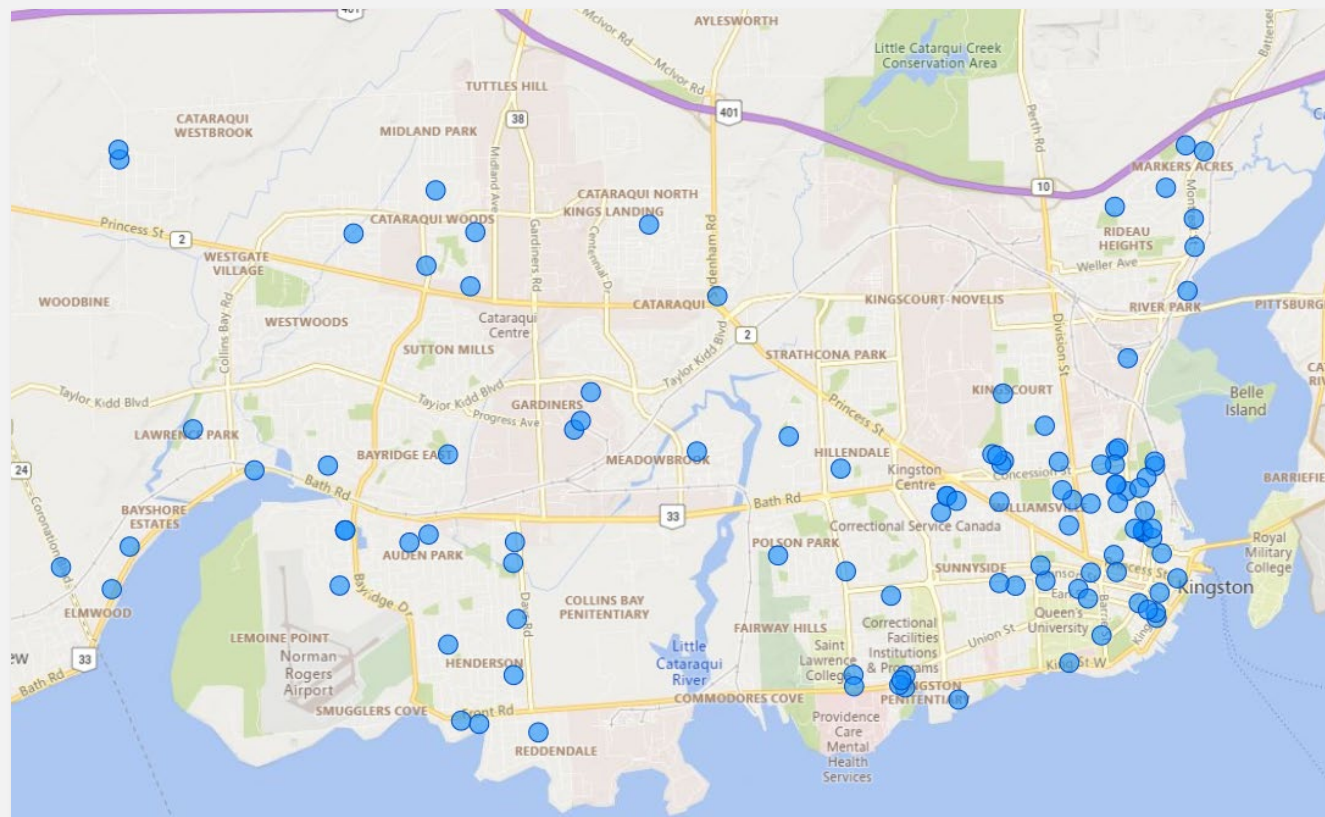
## Percentage of households spending over 30% of their income on shelter costs<sup>2</sup>



The map to the right visually represents the dwellings across the City that have recorded **zero water consumption over the past six months**.

Each dot on the map corresponds to a specific property, **highlighting areas with a higher concentration of unoccupied dwellings**. This allows for a visual understanding of vacancy levels across specific areas of the city.

Overall, this map serves as a **tool to understand housing dynamics** across the City.



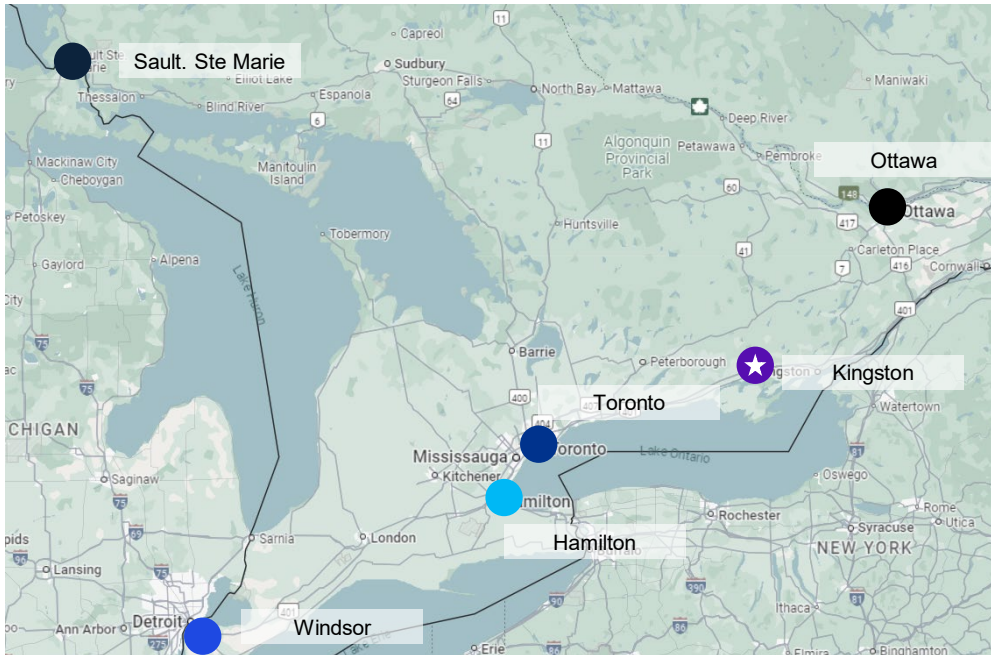
Source: MPAC

# Benchmarking Comparators

# The City of Kingston – Vacant Homes Tax Program Feasibility Study

## Summary of comparators

Five municipalities were selected to benchmark their Vacant Homes Tax program for the purpose of this project. These municipalities were selected because they are the only single-tier municipalities who have implemented VHT programs in Ontario. The primary purpose of the summary of comparators is to understand the different decisions each municipality made in their rollout of the vacant home tax so that Kingston may leverage these insights should the City decide to proceed with implementing a VHT program.



Municipality	Population	Total number of dwellings	Year of implementation
City of Sault Ste. Marie	~72,051	34,818	2025*
City of Windsor	~229,660	99,803	2024
City of Hamilton	~569,353	233,564	2024
City of Toronto	~2,794,356	1,253,238	2022
City of Ottawa	~1,017,449	427,113	2022

Data sourced from Statistics Canada, 2021 Census of Population.

Table 98-10-0003-01 Population and dwelling counts: Census metropolitan areas, census agglomerations and census subdivisions (municipalities)

\* Indicates that VHT has not yet been implemented, but scheduled to launch January 1, 2025

Benchmarking categories	Comparison criteria							
	Definition of a vacant home	Exemptions	Identification methods	Tax rate	Audit and compliance methods	Implementation costs	Annual administration costs	Annual revenue



# Summary of comparators – Definition of a vacant home

In implementing a Vacant Home Tax (VHT), each comparing municipality needed to address several policy considerations to ensure that the tax is effective at meeting its objectives. As per Ontario legislation, a VHT bylaw must contain a defined condition of vacancy that, if met, makes a unit subject to the tax. All Ontario comparators shared the same definition.

Definition	Municipality				
	Sault Ste. Marie	Windsor	Hamilton	Toronto	Ottawa
Any residential unit unoccupied for more than 183 days (6 months) in a taxation year.	✓	✓*	✓	✓	✓

## Global definitions

Unoccupied for longer than six months cumulatively during the prior calendar year (i.e., the vacancy reference period).

**Vancouver**

**San Francisco**

Owners who leave their units vacant for ~182 days (6 months) or longer, whether consecutive or non-consecutive.

**United Kingdom**

You can be charged additional Council Tax (a 'premium') if your home has been empty for at least 1 year.

**Paris**

Residential property that has been unoccupied for more than one year.

**Melbourne**

Residential land that is vacant for more than 6 months in the preceding calendar year.

Source: all data has been collected from official municipality websites and council reports

\*For their year of implementation, Windsor adjusted the definition to 140 days between March 27, 2024 – December 31, 2024.



# Summary of comparators – Exemptions (1/2)

The Government of Ontario has provided municipalities who intend to explore the implementation of a VHT with a provincial policy framework. This framework highlights recommended exemptions, the examples are as follows:

Recommended exemptions	Municipality				
	Sault Ste. Marie	Windsor	Hamilton	Toronto	Ottawa
It is a principal residence.*	✓	✓	✓	✓	✓
It is rented out and occupied as a residence by a tenant for at least 6 months of a taxation year.*	✓	✓	✓	✓	✓
It was owned by a registered property owner who has died in the applicable reference year / tax year.	✓	✓	✓	✓	✓
It is owned by a registered property owner who is in care (for example, institutionalized or hospitalized).	✓	✓	✓	✓	✓
Ownership of the property was transferred in the reference year / tax year (where the year of sale or transfer is the reference year / tax year).	✓	✓	✓	✓	✓
It is undergoing major redevelopment or renovations that, in the judgement of the municipality, are being pursued within a reasonable timeframe.	✓	✓	✓	✓	✓
It is subject to a court or municipal order prohibiting occupancy and the owner has made reasonable efforts to remedy the circumstances that led to the order.	✓	✓	✓	✓	✓
It is a seasonal property (including properties that are classified by Municipal Property Assessment Corporation as falling under property codes 363, 364, 385, 391, 392, and 395).	✓				
Other circumstances identified by a municipality as representing an appropriate use of a residential property (for example, a municipality may wish to exempt properties required for occupation for employment purposes).		✓		✓	

Source: all data has been collected from official municipality websites and council reports

\* indicates that the exemption is selected based on inference and definition of vacant home tax.





# Summary of comparators – Exemptions (2/2)

In addition to the recommended exemptions for municipalities to consider, each has crafted their own that align with their individuals objectives.

Recommended exemptions	Municipality				
	Sault Ste. Marie	Windsor	Hamilton	Toronto	Ottawa
A residential unit that is owned/ managed by a not-for-profit or is considered social housing.	✓	✓	✓		
Vacant new inventory - a residential unit that was continuously listed for sale or lease and not sold or leased in the first year in which the unit was added to the tax roll.	✓	✓		✓	✓
A unit within the multi-residential tax class (has greater than 6 units).	✓	✓			
Residential Unit used exclusively as a Short-Term Rental if occupied for a minimum of 183 days during the taxation year and there exists a license for the STR that is in good standing.	✓				
It is on land for which a development/redevelopment application has been approved by the respective municipality.		✓			
The property is used as a cottage rental in the rural area, with a valid host permit, and it is rented for at least 100 days in the previous year.					✓



The exemptions utilized by the municipalities under comparison can guide Kingston in selecting exemptions for a vacant home tax, including those unique to your context. By evaluating the similarities among these municipalities, Kingston can identify commonalities and choose exemptions that align with their strategic objectives and desired outcomes from the tax program.

Source: all data has been collected from official municipality websites and council reports

# Summary of comparators – Identification methods

Each municipality has its own methods for residents to declare if their properties are vacant. The three methods are mandatory self-declaration, declaration by exemption and complaints or tips.

## Mandatory self declaration

Self-declaring under a municipal by-law for a vacant home is a formal acknowledgment by a property owner that their home is unoccupied, which can lead to the imposition of a vacant home tax. When a resident self-declares, they typically fill out a form or submit a statement to the municipality indicating that their home is vacant. This declaration may require them to provide specific information, such as the duration of vacancy and reasons for it. All residents within the municipality need to submit a declaration; whether occupied or unoccupied.

## Declaration by exemption

Declaration by exemption is a subset of self-declaration and means that only homeowners of properties they consider vacant are required to actively declare this status. All other properties are assumed to be occupied by default and may be subject to audits and compliance checks to verify occupancy. This approach minimizes administrative burden on the City while still ensuring compliance from those with potentially vacant properties.

## Complaint or tip based

A complaint or tip regarding vacant homes can take various forms, depending on the specific concerns or observations of the individual. However, a complaint or tip are usually by the action of a resident who is not the owner of the potential vacant home. For example, residents can tip local authorities about vacant homes that may not have been declared.

Identification method	Municipality				
	Sault Ste. Marie*	Windsor	Hamilton	Toronto	Ottawa
Self declaration (universal)			✓	✓	✓
Declaration by exemption		✓			
Complaint or tip based	✓	✓		✓	✓


\*Sault Ste. Marie has yet to impose their tax, and their definitions are proposed based on online definitions

Source: all data has been collected from official municipality websites and council reports



# Summary of comparators – Tax rate

Sault Ste. Marie	Windsor	Hamilton	Toronto	Ottawa
<b>4%</b>	<b>3%</b>	<b>1%</b>	<b>3%</b>	<b>1%</b>
The City adopted a 4% Vacant Home Tax. The rate was amended by Council (originally set at 3%) due to community feedback. A tax of 4% of the assessment value of the property in the Taxation Year will be billed and payable in the Taxation Year. The program will run annually and will begin in 2025.	The City established a Vacant Home Tax of 3% which would be calculated based on the assessment value of the property in the Taxation Year. The rate was determined by council, increasing from the 2% rate suggested in staff reports. The tax will be billed and payable in the 2024 Taxation Year and will run annually.	The tax will be calculated at a rate of one percent of the property's assessed value, and the tax will be included in the final property tax bill mailed out in June.	For the 2022 and 2023 taxation years, a Vacant Home Tax of one per cent of the Current Value Assessment (CVA) was levied on all Toronto residences that were declared, deemed or determined to be vacant for more than six months during the previous year. This rate was then increased to 3% for the 2024 VHT taxation year.	The first year the tax was payable was 2023, based on the status of the property in 2022. The tax was calculated at a rate of 1% of the property's assessed value, and the tax was applied to the final tax bill, due on the third Thursday of June.



- The City of Kingston would need to consider which end of the tax rate spectrum it aligns with, balancing between higher tax revenues and possibly a greater deterrent effect (at a higher rate like 4%) or a more moderate, less burdensome approach (at a 1% rate).
- Hamilton, Toronto, and Ottawa all calculate the vacant home tax and apply it to the final tax bill, simplifying the administration and collection process. If Kingston decides to go this route, integrating the tax into the final tax bill could reduce administrative complexities and allow the tax to be collected without separate billing.
- Kingston could analyze its housing market dynamics to assess whether a higher or lower rate would best suit its goals. A 4% tax may encourage quicker action by homeowners to put properties into use, but a 1% tax might be seen as more fair and acceptable to property owners.

Source: all data has been collected from official municipality websites and council reports

# Summary of comparators – Audit and compliance methods

Municipalities use different audit and compliance methods to monitor vacant homes, the aim of which is to uphold compliance with tax regulations and maximize program effectiveness. Each municipality’s various audit and compliance methods are as follows:

Municipality				
Sault Ste. Marie	Windsor	Hamilton	Toronto	Ottawa
<p>KPMG met with representatives of Sault Ste. Marie to learn about their audit and compliance methods. The City shared they will leverage community tips and complaints to begin their audit process, while also having staff (both by-law officers and tax staff) participate in site visits. This process may also be supported by reviewing utility data, however, no decisions have been made in that regard.</p>	<p>City administration is authorized to request evidentiary documentation (i.e., government-issued identification, utility bills, lease information, etc.) from property owners to determine whether a property should be assessed the VHT.</p> <p>City administration is authorized to take any action necessary, including inspection and audit, to enforce compliance relative to the billing and collection of the VHT.</p>	<p>The City will audit mandatory occupancy declarations for accuracy on an annual basis. Audits will be conducted in the following scenarios:</p> <ul style="list-style-type: none"> <li>• Properties that report an exemption</li> <li>• Properties declared occupied that were vacant the previous year</li> <li>• A complaint or tip</li> <li>• Random selection</li> <li>• Targeted audit campaigns</li> <li>• Properties reported vacant in the Vacant Building Registry (registered and unregistered)</li> </ul> <p>If as a result of an audit the property is considered vacant, the VUT will be charged.</p>	<p>In Toronto, properties may be selected for audit based on random or specific criteria. If a property is chosen, the City may request the owner to provide information and evidence to support their claim of occupancy or any exemptions. Should additional information be necessary, the City will notify the owner by mail detailing the required actions. After the audit is completed, the owner will receive a notification of the outcome via mail.</p>	<p>All property status declarations may undergo an audit process to ensure compliance with Provincial and Federal tax standards. If selected for an audit, property owners must provide evidence to support their claims of occupancy or any exemptions. The audit process involves uploading evidence through the My ServiceOttawa account or submitting it via a secured link, registered mail, or in-person appointment. City staff will review the submitted documents and may request additional information if necessary. Owners will be informed if their documentation is sufficient; if not, they can submit further evidence.</p>

Source: all data has been collected from official municipality websites and council reports

# Summary of comparator motivations and challenges

Each municipality has their own motivations for implementing a Vacant Home Tax. To better understand these motivating factors, KPMG summarized the findings from our stakeholder consultations.



## Sault Ste. Marie

Sault Ste. Marie experienced an influx of investors from outside of the community during the Covid-19 pandemic. The properties obtained by these investors were primarily located in the downtown core and were not being utilized or were deemed vacant by the City. Sault Ste. Marie's motivation has been to make these vacant properties available to the community and revitalize their downtown.



## Windsor

The City was inspired by the rollout of the VHT in Vancouver and Toronto. However, the majority of motivation came from the community. The City issued a survey to gather stakeholder feedback, and over 74% were in favour of implementing the VHT.



## Ottawa

The implementation of Ottawa's Vacant Unit Tax (VUT) was primarily council-led, as a response to the state of housing affordability and homelessness in Ottawa. The City was/is determined to find solutions to improving the current housing crisis.



## Implementation Challenges

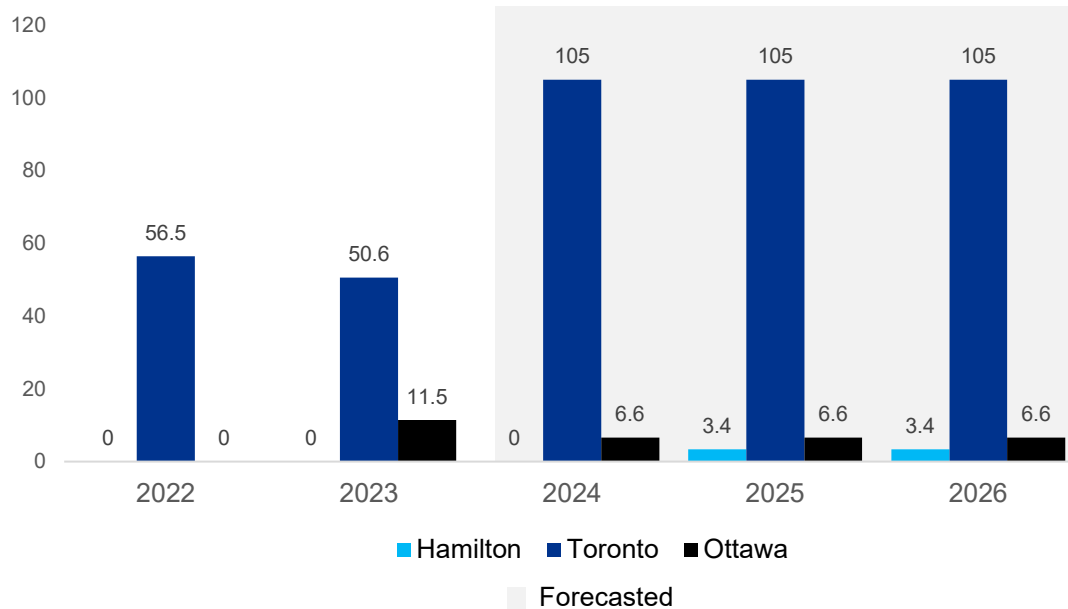
- Of the 6,348 properties charged the VUT in Ottawa, 3,357 (52.8%) appealed. Of these appeals, 86% were successful at achieving exemption from the VUT
- A number of upper-tier municipalities have explored the feasibility of implementing a VHT, however, the additional complexities with implementation in a two-tier system have typically made the program cost prohibitive and none of have chosen to implement. Implementation of a VHT in upper-tiers typically results in approximately 95% increase in operational costs.
- The City of Windsor emphasized the necessity of drafting clear and comprehensive by-laws to support the program, particularly in defining the criteria for property exemptions. An illustrative case highlighted by Windsor revealed that some individuals resort to posting their homes for sale on platforms like Facebook Marketplace solely to qualify for tax exemptions. This behavior underscores the importance of incorporating specific requirements and necessary documentation within the by-law to effectively determine eligibility for exemptions. The ingenuity of property owners seeking to evade tax obligations has posed significant challenges, making it imperative to establish stringent guidelines.



# Summary of comparators – Revenues and costs

Costs	Sault Ste. Marie	Windsor	Hamilton	Toronto	Ottawa
Initial implementation costs	N/A	N/A	\$2.6 million (estimated)	\$11 million	\$3.5 million
Ongoing annual costs	N/A	NA	\$2.2 million (estimated)	\$3.1 million	\$1.3 million

Revenue (actual and forecasted), in millions



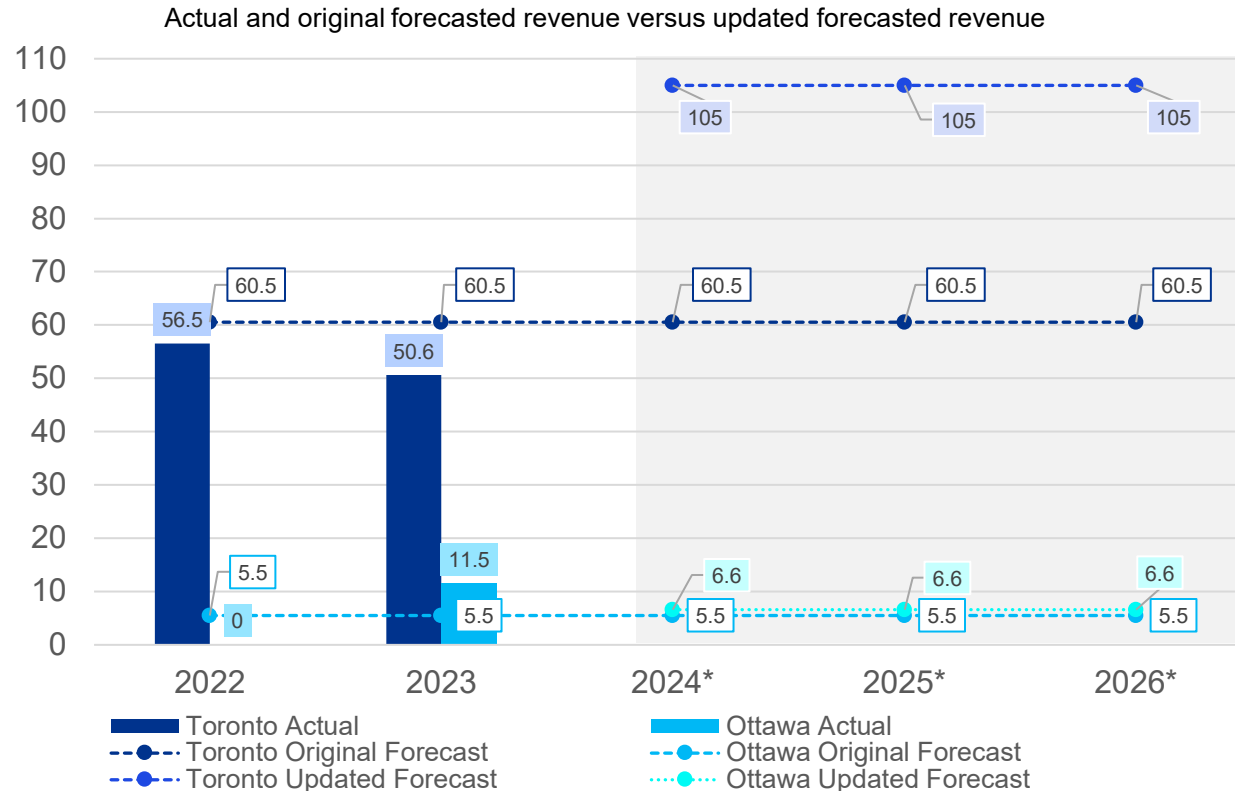
Source: data has been collected from official municipality websites and council reports

**Based on the data:**

- **Hamilton** is set to collect revenue from its Vacant Unit Tax in 2025, with expected annual revenue between \$3.4 million and \$4.3 million.
- **Toronto** experienced strong initial revenue from the Vacant Home Tax, with approximately \$56.5 million in 2022 and \$50.6 million in 2023. To address housing challenges more aggressively, the City increased the VHT rate from 1% to 3% for 2024, leading to a projected revenue boost to \$105 million annually.
- **Ottawa** initially projected a steady revenue of \$6.6 million per year from its Vacant Unit Tax, but in 2023, actual revenue exceeded expectations, reaching \$11.5 million. Moving forward, Ottawa anticipates that revenues may stabilize closer to \$6.6 million if vacancy rates decrease, suggesting that the tax could be successfully driving more properties into active use.
- Sault Ste. Marie and Windsor do not have data to present/available at this time.

# Summary of comparators – Projected revenues and costs

Prior to implementing the Vacant Home Tax, comparator municipalities prepared reports to forecast the revenue the program would generate. Both Toronto and Ottawa surpassed their original forecasted amounts. Toronto nearly doubled its forecasted amount since increasing the tax rate.



This graph compares the difference from the forecasted revenues identified prior to the implementation of the tax and the updated revenues (both actual and updated forecast) since implementation. Revenue for the years 2024-2026 have not yet been recorded so these values are forecasted.

Both Toronto and Ottawa have shown that once the system is in place, it can be relatively self-sustaining and generate revenue. There are administrative costs that involve monitoring, enforcement, compliance audits, appeals, and system setup. However, The primary goal of the tax is to incentivize property owners to either occupy or rent their homes, reducing speculative holding and helping to ease housing supply shortages.

Source: all data has been collected from official municipality websites and council reports

# Policy considerations



# Identification of Vacant Homes – Declaration requirements





To assess vacant homes effectively, property declaration methods must be considered. A self-declaration system promotes transparency among property owners, allowing municipalities to gather detailed information about vacant properties. However, it can be administratively burdensome. In contrast, a complaint-based declaration minimizes administrative tasks by only acting on received complaints, but it may lead to inconsistent reporting and privacy concerns. Each method has its advantages and disadvantages that must be carefully weighed to determine the most suitable policy for assessing vacant homes effectively. Kingston will need to consider which of these methods of vacant home identification is most desirable and cost-effective for the City to administer as a component of the VHT policy.

Self declaration	Declaration by exemption	Complaint or tip based
<b>Advantages</b>		
<ul style="list-style-type: none"> <li>• Encourages property owners to be transparent about their property’s status.</li> <li>• Allows municipalities to gather detailed information about vacant properties, such as the reason and duration of vacancy.</li> <li>• Ensures that all properties are accounted for, as all owners must declare, regardless of occupancy.</li> </ul>	<ul style="list-style-type: none"> <li>• Reduces the administrative burden by only requiring declarations from owners of vacant properties.</li> <li>• Assumes most properties are occupied, focusing resources on verifying only vacant declarations.</li> <li>• Reduces unnecessary paperwork for occupied properties, making it simpler for the majority of property owners.</li> </ul>	<ul style="list-style-type: none"> <li>• Minimizes administrative burden as declarations are only initiated when a complaint or tip is received.</li> <li>• Allows residents to help monitor the community, which may improve overall compliance.</li> <li>• Targets properties that may have been missed in other declaration methods.</li> </ul>
<b>Disadvantages</b>		
<ul style="list-style-type: none"> <li>• Can be administratively burdensome, as all property owners (occupied and vacant) need to complete the declaration process.</li> <li>• Relies on property owners’ honesty and willingness to self-report, which could lead to underreporting or inaccuracies.</li> <li>• Requires follow-up or enforcement mechanisms to ensure compliance from those who fail to declare.</li> </ul>	<ul style="list-style-type: none"> <li>• Relies heavily on property owners of vacant homes to come forward, which may lead to some vacant properties going undeclared.</li> <li>• Requires a robust compliance and audit process to identify potentially vacant properties that have not been declared.</li> <li>• May lead to disputes if the municipality challenges the occupancy status of certain properties.</li> </ul>	<ul style="list-style-type: none"> <li>• Relies on community reporting, which may be inconsistent or biased, potentially leading to unfair or incorrect reporting.</li> <li>• May not capture all vacant properties if neighbors or community members are unaware of or unwilling to report them.</li> <li>• Can create privacy concerns or lead to neighbor conflicts due to potential misuse of the complaint system.</li> </ul>

# The City of Kingston – Vacant Homes Tax Program Feasibility Study

## Audit and compliance methods





In a vacant homes tax program, audit and compliance methods can include data matching, the provision of evidence and supporting documentation, random audits, and property inspections. Each method has trade-offs, so a blended approach can balance accuracy, cost, and compliance effectively.

	<h3>Data matching</h3>	<p>Uses information from utility records, tax rolls, or other municipal databases to verify vacancy status, offering a more automated and objective approach that can identify discrepancies. The challenge is ensuring data accuracy, privacy concerns among property owners, and managing the cost of data integration.</p>
	<h3>Evidence and supporting documentation requirements</h3>	<p>Self-reporting requires property owners to declare the occupancy status of their properties with an added requirement to provide supporting documentation for audit and compliance reasons, if discrepancies arise. For example, if there is a mismatch between the owner’s declaration and city data, or if a complaint is made alleging the property was vacant but not declared, the owner must supply evidence, such as utility bills, rental agreements, or other documentation showing occupancy. This approach helps ensure compliance while allowing property owners to clarify misunderstandings or resolve disputes. While it is less costly than proactive audits, it still requires city resources to verify documentation and handle complaints, and it depends on owners maintaining accurate records for verification.</p>
	<h3>Random audits</h3>	<p>Serve as a deterrent to misreporting, as property owners may be selected for further scrutiny without prior notice. This can improve compliance but may be labor-intensive and require additional resources.</p>
	<h3>Property inspections</h3>	<p>Involve physical verification of properties flagged as potentially vacant. While highly accurate, this approach is resource-intensive, requiring significant labor and logistical coordination, and may raise privacy concerns among property owners.</p>

Each of the comparator cities used in our benchmarking exercise employ the use of random audits, as well as the provision of evidence and supporting documentation requirements from property owners as part of their audit and compliance program. Kingston should consider what methods will be utilized to maintain program integrity and how these methods will impact current or future resources in the City’s By-law and enforcement teams.

# Determining tax rate

When setting the tax rate for a vacant home tax program, key principles to consider include affordability, effectiveness, equity, and administrative simplicity. When weighting these principles, Kingston could consider that effectiveness and equity directly impact the program’s public benefit, while affordability and administrative simplicity ensure the tax is viable and minimally disruptive to implement.

	<b>Affordability</b>	ensures that the rate incentivizes property owners to return homes to occupancy without creating excessive financial burden. Alignment with current tax rates could also be considered when determining affordability.
	<b>Effectiveness</b>	examines how the rate can impact local housing availability, aiming to reduce vacancy and increase housing supply. Tax rates should generate enough revenue to cover program administrative costs, as well as provide opportunities for the additional funding to be used to support housing accessibility and stability in the community.
	<b>Equity</b>	involves assessing the tax’s fairness across different property types and owners, to avoid disproportionate impacts on particular groups, such as long-term vacant homes versus seasonal properties.
	<b>Administrative simplicity</b>	is critical to minimize the cost and effort for both the municipality and property owners in managing and complying with the tax. If the tax rate structure is too complex—such as having multiple tiers based on specific types of vacancy, length of time unoccupied, or property size—it can create significant administrative burdens, increasing costs for the municipality in tracking, assessing, and enforcing the tax. This can also lead to higher compliance costs or confusion for property owners, which might reduce the program’s effectiveness.

Leading practice from the comparators supports a simple, standardized rate—such as a single percentage of assessed property value for all vacant properties—can streamline administration and compliance, lowering overall costs. However, Kingston must balance simplicity with equity and effectiveness, ensuring the rate is fair and achieves the program’s goals without unnecessarily complicating the process.

# Revenue allocations

In determining how to allocating revenue from a vacant homes tax program, Kingston could consider prioritizing investments that directly address housing challenges and enhance community well-being. Investing in affordable housing aligns with the VHT's goal of reducing housing scarcity and demonstrates a commitment to addressing housing needs. Reports like the Housing Needs Assessment completed in 2023 by Watson & Associates, the Mayor's Task Force on Housing Report, and the Housing and Homelessness 10-year Plan have assessed local housing priorities through community consultation and data analysis, and can be used to identify where funds will most effectively alleviate housing shortages or support underserved residents. Transparent reporting on revenue use and its impact will also be important to build community trust and support for the program.



## Key considerations include:

- supporting affordable housing initiatives
- funding programs to bring vacant properties back to productive use such as grants or low-interest loans for repairs, can incentivize owners to reoccupy or repurpose vacant properties, reinforcing the program's impact.
- enhancing housing-related services, such as homelessness prevention or rental assistance

**Important note:** A vacant homes tax program should be viewed as a temporary measure designed to address a specific issue of housing availability, rather than as a long-term revenue source. If successful, the program will reduce the number of vacant homes year over year, leading to a natural decline in tax revenue. Therefore, it is crucial that the city does not develop a dependency on this income for ongoing operational or essential budget items. Instead, the revenue should be allocated to time-bound initiatives that support housing goals.

# Financial modelling

# The City of Kingston – Vacant Homes Tax Program Feasibility Study

## Financial modelling overview

The following chapter of this report contains data and draft calculations for the potential costs and revenues of a Vacant Home Tax in the City of Kingston. The calculations are based off of historical data from the City of Vancouver and City of Ottawa's implementation, along with sets of assumptions.

### Costs

The costs of a vacant home tax for the City of Kingston can be categorized in two groups:

- **Implementation costs:** These are the one-time implementation costs of the program. They include salaries of the project management team, technical systems development, initial public communications, and other miscellaneous expenses.
- **Ongoing operational costs:** These are the ongoing operational costs to run the program. These costs include salaries of the Tax Administration team, Compliance team, ongoing public communications, ongoing IT support and maintenance.



### Revenues

The revenues gained from this program would come from two avenues:

- **Tax levy:** Revenue generated from homeowners who officially declare their properties as vacant or are identified as vacant via a complaint.
- **Audit:** Revenue collected from homeowners who are found to be non-compliant or fraudulent in their declarations, resulting in the imposition of penalties.

### Key Inputs

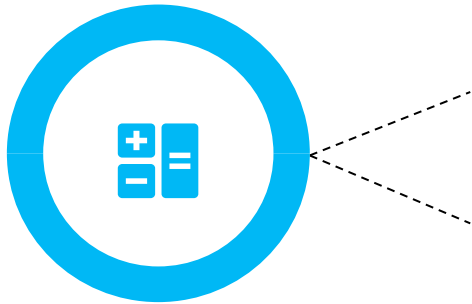
When building this model, KPMG utilized standard industry assumptions taken from other case studies and independent research. These included:

- Vacancy Rate
- Number of Eligible Vacant Units
- Tax Rate
- Housing Market Impact
- Housing Supply Growth Rate
- Assessed Property Values

# Financial modelling overview - assumptions

## Assumptions

To develop the financial model with limited data, KPMG utilized assumptions based on stakeholder consultations and the results of vacant tax implementation in other municipalities.



### Vacancy Rates:

- The two vacancy rate scenarios were identified using the City's data on water consumption levels, applying a threshold of no utility usage (0m<sup>3</sup> of water usage) and some utility usage (2m<sup>3</sup> per day of water usage) as limits to determine vacancy. This presented a more conservative and slightly less conservative estimate for all vacant properties within the City.

### Eligible Vacant Units:

- KPMG utilized the eligibility ratio identified in the City of Vancouver and City of Ottawa's data as an assumption for the City of Kingston due to potential similarities in the exemption and eligibility criteria discussed with stakeholders.

### Ward Growth Rates:

- KPMG collected the historical growth rates of housing supply by ward from MPAC with the assumption that the rates would remain consistent in the future.

### Assessed Values of Housing Units:

- The assessed values of the units by ward was identified using MPAC Current Value Assessments (CVA). The annual increase in the MPAC CVA was identified through historical MPAC CVA assessments and realized growth.

### Non-Compliance Rate:

- The percentage of anticipated non-compliant homeowners that either will not declare or will declare inaccurately was determined using data from the City of Vancouver and City of Ottawa case studies.

### Percentage of Vacant Homes Re-entering the Market:

- KPMG conducted an analysis to estimate the response rates of homeowners in Kingston to six different tax rate scenarios. These estimates were derived from data collected from the City of Vancouver, supplemented by further analytical efforts.

# Declaration-based financial analysis – estimating revenues

## Estimating the revenues

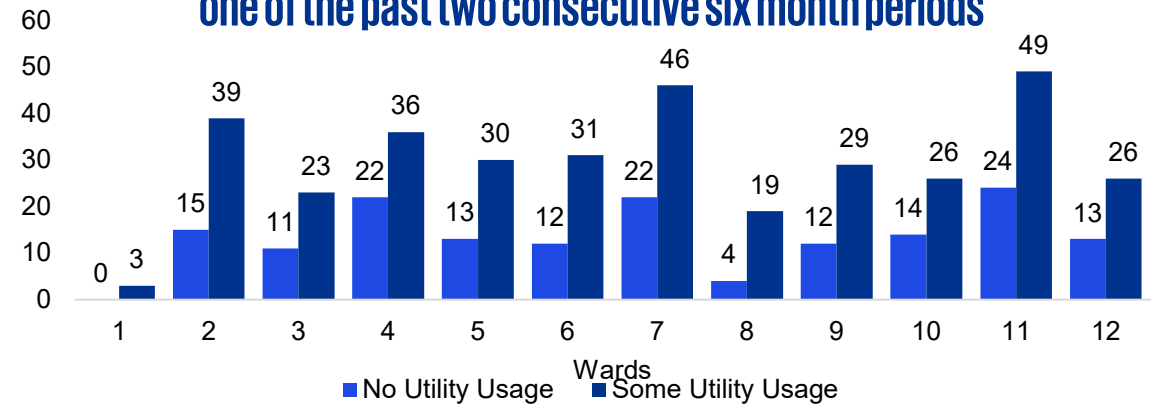
Estimating the potential revenues associated with vacant homes requires several key inputs. These include the City’s vacancy rate, the number of eligible vacant units, and the average assessed home values.

To determine the vacancy rate and number of eligible units, KPMG used a **utilities-based approach**. KPMG first collected utility data from the City. We then focused on two different usage scenarios, properties that used, on average, less than two cubic meters of water per day and properties that used 0 cubic meters of water over the past six months and/or the six months prior. These thresholds were chosen as a indicators of vacancy, as low water usage typically suggests that a property is not actively occupied. The not utility usage figure (i.e., 0 cubic meters of water) was used as a conservative estimate for vacant properties, and the some utility usage figure (i.e., less than two cubic meters of water per day) was a slightly less conservative estimate. Based on this analysis, KPMG found the total number of **eligible vacant units in the some utility usage scenario to be 357 and the no utility usage scenario to be 162. This equated to approximately 0.8% and 0.3% of the eligible housing stock.**

Once the relevant addresses were identified based on water usage, KPMG mapped these addresses to municipal data exported from Municipal Connect. This provided a clear picture of where the potential vacancies were across the City and supported the mapping of the eligible property codes and the associated assessment values.

Additionally, KPMG conducted desktop research into the estimated property value increase rate to forecast future property value increases. Based on this research, KPMG used an assumption of a 1% annual CVA increase.

Properties with water usage below the identified daily averages in at least one of the past two consecutive six month periods




Ward	Number of Eligible Properties	Number of Eligible Vacant Units - Some Utility Usage (<2m <sup>3</sup> )	Number of Eligible Vacant Units - No Utility Usage (0m <sup>3</sup> )	Average Current Value Assessment
1	2,960	3	0	\$ 368,800
2	5,524	39	15	\$ 341,400
3	3,781	23	11	\$ 328,000
4	3,882	36	22	\$ 335,800
5	2,629	30	13	\$ 307,900
6	4,340	31	12	\$ 269,600
7	3,480	46	22	\$ 229,400
8	3,465	19	4	\$ 256,800
9	2,836	29	12	\$ 328,200
10	2,140	26	14	\$ 599,300
11	2,721	49	24	\$ 349,100
12	3,952	26	13	\$ 390,400
<b>Total</b>	<b>41,710</b>	<b>357</b>	<b>162</b>	<b>\$ 333,100</b>



# Tax Rate Scenario – Comparator Assessment

Prior to utilizing the two vacancy rate scenarios generated from the utilities-based approach, KPMG wanted to assess their accuracy, along with CMHC’s reported vacancy rate, with the realized vacancy rates observed in other cities following the implementation of vacant home tax programs, specifically Vancouver and Ottawa. The table below outlines the CMHC reported vacancy rate in the first year of each cities program implementation (e.g., Vancouver’s 2017 and Ottawa’s 2022) and the vacancy rate identified based on the implementation of the program (this includes both vacant and vacant but exempt properties).

	Vancouver	Ottawa
CMHC Vacancy Rate by First Year of Implementation	0.9%	2.2%
Realized Rate from Implementation (Vacant and Exempt Units)	4.2%	1.8%



In evaluating the feasibility of a vacant home tax in Kingston, it was important to compare the CMHC’s estimated vacancy rates with realized rates from cities like Vancouver and Ottawa. Vancouver’s CMHC vacancy rate of 0.90% contrasts with a realized rate of 4.20% post-vacant home tax implementation, indicating that CMHC estimates may not accurately reflect actual vacancies. Similarly, Ottawa’s CMHC rate of 2.20% is lower than the realized rate of 1.80%, suggesting that a vacant home tax can provide a clearer picture of vacancy levels.

For Kingston, the CMHC estimates a vacancy rate of 0.8%, while the utilities-based approach for assessing vacancy yielded rates of 0.86% and 0.39%. Based on KPMG’s analysis, we determined that Ottawa serves as a more relevant comparator due to similarities in the communities and housing stock. The data from Ottawa implies that CMHC estimates may not fully capture the reality of vacant units, reinforcing the reasonableness of the utilities-based data for Kingston.

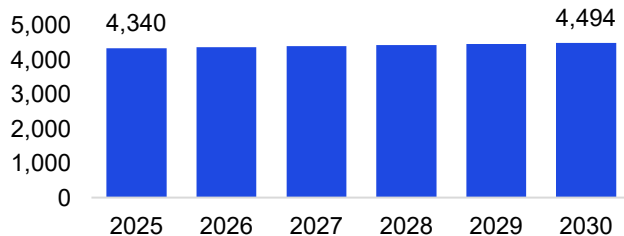
Source: all data has been collected from official municipality websites and council reports

# Vacant Home Reduction Methodology

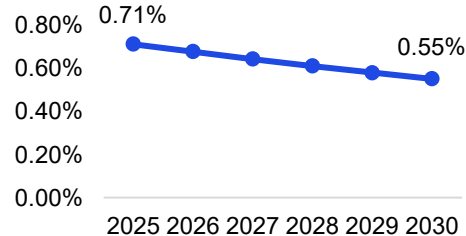
The methodology below outlines how KPMG determined the estimated reduction in vacant homes due to the implementation of a vacant home tax.

Determine Eligible Homes	Determine Vacancy Rate	Calculate Estimated Number of Non-Exempt Vacant Homes	Determine Total Vacant Home Reduction
<p>KPMG initiated the process for determining the reduction in vacant homes due to the implementation of the vacant home tax by determining the number of eligible homes in 2025 by ward. This data was extracted from Municipal Connect, where KPMG filtered the information by property code to isolate the properties that qualify for taxation. This process supported the identification of the current number of properties by ward.</p> <p>Subsequently, KPMG utilized the historical growth rate derived from Canada Mortgage and Housing Corporation data. This growth rate was applied to the housing figures by ward to project the count of eligible properties for each year within the respective wards.</p> <p>The graph below illustrates the number of eligible properties in Ward 6. The year-over-year growth rate for this district is recorded at 0.7%.</p>	<p>In the next step of the analysis, KPMG employed a utilities-based approach to determine the current vacancy rates across various wards. To evaluate the projected decline in vacancy rates on a ward-by-ward basis, KPMG multiplied each ward's specific vacancy rate by the factor of (1 - Homeowner Response Rate). This calculation reflects the anticipated reduction in vacancy rates resulting from the implementation of the tax.</p> <p>The graph below illustrates the projected decrease in the estimated vacancy rate for Ward 6 over the years. This graph is assumes a 1% vacant home tax and a corresponding Homeowner Response Rate of 5%.</p>	<p>KPMG proceeded to calculate the total number of vacant homes on a ward-by-year basis by multiplying the number of eligible homes in each ward by the corresponding vacancy rates.</p> <p>To determine the number of non-exempt vacant homes, KPMG applied an assumption that 40% of the vacant homes were not exempt from the vacant home tax. This was achieved by multiplying the total number of vacant homes for each ward and year by this 40% factor. Incorporating the non-exempt factor enabled us to concentrate on the changes in vacancy rates resulting from the implementation of the tax on properties affected by this tax.</p>	<p>KPMG completed the analysis to determine the reduction in non-exempt vacant homes by comparing the estimated figures for 2025 with projections for 2030. This analysis involved subtracting the number of non-exempt vacant homes estimated for 2025 from the projected number for 2030. The resulting difference provides an estimate of the reduction in vacant homes that are influenced by the vacant home tax during the specified timeframe. This assessment underscores the effectiveness of the tax policy in addressing vacancy issues.</p>

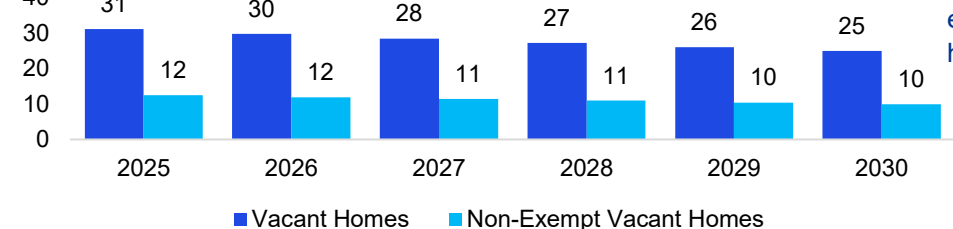
Ward 6 Eligible Homes by Year



Ward 6 Estimated Vacancy Rate by Year



Ward 6 Vacant Homes, Non-Exempt Vacant Homes, and Total Reduction



Decrease in non-exempt vacant homes in Ward 6: 2

# Declaration-based financial analysis – revenue estimation

As part of the modelling of the vacant home tax program, KPMG performed a sensitivity analysis. A sensitivity analysis examines how different tax rates and the associated homeowner response rates impact the associated revenues from a vacant home tax program.

	No Utility Usage (0m <sup>3</sup> )	Some Utility Usage (<2m <sup>3</sup> )
Total Eligible Dwellings	41,710	
Estimated Tax-Eligible Vacant Dwellings	162	357
Assumed Vacancy Rate	0.39%	0.86%
Historical Growth Rate of Housing*	0.76%	
Projected Annual Growth in Assessment Value*	1%	
Estimated Percentage of Tax Exempt Vacant Units	60%	
Estimated Non-Compliance Rate	5%	

\*The Historical Growth Rate of Housing was calculated based on CMHC data

\*\*The Projected Annual Growth in Assessment Value was calculated based on the change in Municipal Connect assessment value

Tax Rate Sensitivity Analysis					
Utility Usage	Tax Rate	Homeowner Response Rate	Average Annual Revenues	5-Year Total Revenues	Estimated Non-Exempt Vacant Home Reduction
No Utility Usage	1.0%	5.0%	\$189,000	\$946,000	13
	1.5%	6.0%	\$275,000	\$1,376,000	16
	2.0%	6.5%	\$361,000	\$1,807,000	17
	2.5%	7.5%	\$438,000	\$2,190,000	19
	3.0%	8.0%	\$517,000	\$2,587,000	21
Some Utility Usage	1.0%	5.0%	\$410,000	\$2,051,000	28
	1.5%	6.0%	\$597,000	\$2,983,000	34
	2.0%	6.5%	\$783,000	\$3,916,000	37
	2.5%	7.5%	\$949,000	\$4,745,000	42
	3.0%	8.0%	\$1,121,000	\$5,606,000	45

Note: Revenues only include declaration based revenues and not the potential revenues collected from the estimated 5% non-compliance rate.

# Declaration-based financial analysis – cost breakdown

The table below presents the estimated costs associated with modeling the implementation and ongoing expenses for the vacant home tax in Kingston. For implementation costs, the model anticipates that these costs will be distributed over the initial three years of the program, with the following allocation: Year One: 5%, Year Two: 70%, Year Three: 25%. For operating costs, the model incorporates a standard annual adjustment factor of 2% for all expenses to account for inflation.

Cost Category	Cost Item	Staffing Amount	Lower Cost Estimate	Higher Cost Estimate	Description
<b>Implementation Costs</b>	City Project Management	1 FTE	\$125,000	\$125,000	Project Management Team will be responsible for overall implementation, including drafting the by-law.
	Technical Systems Development	N/A	\$300,000	\$750,000	IT costs associated with development and implementation of a new system for the City to manage the VHT. Costs represent potential hardware and software costs. The cost estimate provided includes a quotation from Random Access, amounting to \$18,000. This figure represents the expense associated with their capability to record a declaration of a vacant home on a property.
	Communications	N/A	\$100,000	\$100,000	Costs associated with public outreach in advance of implementation and advertising associated with public notification. This includes mail outs to all households.
	Other Implementation Costs	N/A	\$10,500	\$19,500	Other costs related to printing, advertising, accessibility, review, etc.
	<b>Total</b>			<b>\$535,500</b>	<b>\$994,500</b>
<b>Operating Costs</b>	Tax Administration Team	1 FTE	\$85,000		City team responsible for overall oversight of collection and remittance of tax revenues
	Compliance Team	1 FTE	\$100,000		Audit and compliance team from the City responsible for reviewing audits, exemption claims, and appeals.
	Communications	N/A	\$50,000		Costs associated with continued public outreach.
	Ongoing Support & Maintenance	N/A	\$50,000		Costs associated with IT&S support and maintenance.
	<b>Total</b>			<b>\$240,000</b>	

# Declaration-based program– financial impact

## Estimating the tax sensitivity

The sensitivity analysis of the vacant home tax model evaluates the financial implications under two distinct scenarios: one involving no utility usage and the other incorporating some utility usage.

In the scenario with higher cost estimates and no utility usage, only the 3% tax rate results in a positive 5-Year net, indicating its capacity to generate sufficient revenue to cover associated costs. In contrast, within the lower cost estimate and no utility usage scenario, only tax rates of 2% or higher are capable of achieving positive net outcomes.

For the scenario that includes some utility usage, all tax rates yield positive 5-Year nets across both cost estimates, with the exception of the 1% tax rate in the higher cost estimate.

When assessing the effectiveness of these tax rates in generating revenue and fulfilling the program's objectives of reducing the number of vacant homes, it is evident that higher tax rates are more effective.

## Tax Rate Sensitivity Analysis

Utility Usage	Tax Rate	Homeowner Response Rate	Average Annual Revenues	Lower Cost Estimate 5-Year Net	Higher Cost Estimate 5-Year Net	Lower Cost Estimate Payback Period (Years)	Decrease in Non-Exempt Vacant Homes over Five Years
No Utility Usage	1.0%	5.0%	\$189,000	\$(838,100)	\$(1,297,100)	N/A	13
	1.5%	6.0%	\$275,000	\$(408,100)	\$(867,100)	N/A	16
	2.0%	6.5%	\$361,000	\$22,500	\$(436,500)	4.8	17
	2.5%	7.5%	\$438,000	\$485,100	\$(53,900)	2.8	19
	3.0%	8.0%	\$517,000	\$802,400	\$343,400	2	21
Some Utility Usage	1.0%	5.0%	\$410,000	\$266,500	\$(192,500)	3.3	28
	1.5%	6.0%	\$597,000	\$1,198,300	\$739,300	1.5	34
	2.0%	6.5%	\$783,000	\$2,131,300	\$1,672,300	1	37
	2.5%	7.5%	\$949,000	\$2,960,600	\$2,501,600	0.77	42
	3.0%	8.0%	\$1,121,000	\$3,821,600	\$3,362,600	0.62	45

Note: Revenues only include declaration based revenues and not the potential revenues collected from the estimated 5% non-compliance rate.

# Complaint-based financial analysis – some utility usage (<2m<sup>3</sup>)

<b>41,710</b>	Total Eligible Dwellings
<b>357</b>	Estimated Tax-Eligible Vacant Dwellings
<b>0.76%</b>	Historical Growth Rate of Housing*
<b>1%</b>	Projected Annual Growth in Assessment Value**
<b>20%</b>	Estimated Reporting Rate
<b>60%</b>	Estimated Percentage of Tax Exempt Vacant Units
<b>2%</b>	Annual Operating Cost Increase (Inflation)

Cost Category	Cost Item	Cost Estimate	Description
<b>Implementation Costs</b>	Technical Systems Development	\$25,500	IT costs associated with development and implementation of a new system for the City to manage the VHT.
	Communications	\$80,000	Costs associated with public outreach in advance of implementation and advertising associated with public notification.
	Other Implementation Costs	\$1,510	Other costs related to printing, advertising, accessibility, review, etc.
	<b>Total</b>	<b>\$107,610</b>	
<b>Operating Costs</b>	Tax Administration Team	\$23,817	Cost per report \$350.25, estimated 7.5 hours at \$85,000 annual salary (\$46.70/hour * 7.5 hours). Assumed 68 complaints.
	Communications	\$50,000	Costs associated with continued public outreach.
	<b>Total</b>	<b>\$73,817</b>	

Sensitivity Analysis					
Tax Rate	Homeowner Response Rate	Average Annual Revenues	Estimated 5–Year Net	Payback period for implementation cost	Decrease in Eligible Vacant Homes over Five Years
1.0%	5.0%	\$74,700	\$(117,500)	N/A	5
1.5%	6.0%	\$112,000	\$68,500	3.1 Years	6
2.0%	6.5%	\$149,000	\$255,100	1.5 Years	7
2.5%	7.5%	\$187,000	\$441,300	1.0 Years	8
3.0%	8.0%	\$224,000	\$627,500	0.7 Years	9

\*The Historical Growth Rate of Housing was calculated based on CMHC data.

\*\*The Projected Annual Growth in Assessment Value was calculated based on the change in Municipal Connect assessment value.

Note: Revenues only include complaint based revenues and not the potential revenues collected from any additional audits. Note the decrease in vacant homes for the complaint-based model does not outpace the growth in homes, leading to an overall continued increase in vacant homes.



# Summary of financial analysis and recommendation

KPMG has conducted a feasibility study for a potential vacant homes tax program in the City of Kingston, focusing on the comparison between mandatory declaration-based and complaint-based programs, as well as explored various tax rates and estimated vacancy rates. The findings from this analysis, as presented in the table below, indicate that the declaration-based program generates higher revenues and is more effective in reducing the number of vacant homes than the complaint-based program.

However, it is important to note that the implementation and operational costs associated with the declaration-based program are higher, which increases risk for the City, compared to the complaint-based model.

Based on this analysis, if the City does decide to implement a Vacant Home Tax, **KPMG would recommend adopting the declaration-based program**, as it aligns more effectively with the objectives of increasing housing availability by returning more homes to the market, as well as generating more revenue to be directed to supportive housing programs. As next steps, the City must engage in further discussions to evaluate whether the estimated number of eligible vacant properties along with the associated staff efforts and impacts on residents, justifies the estimated reduction in vacant units.

	Declaration-Based Program										Complaint-Based Program				
	No Utility Usage					Some Utility Usage					Some Utility Usage				
	1%	1.5%	2%	2.5%	3%	1%	1.5%	2%	2.5%	3%	1%	1.5%	2%	2.5%	3%
<b>Tax Rates</b>															
<b>Estimated 5-Year Average Annual Revenues</b>	\$189K	\$275K	\$361K	\$438K	\$517K	\$410K	\$596K	\$783K	\$949K	\$1.1M	\$77.7K	\$112K	\$149K	\$187K	\$224K
<b>5-Year Lower Estimated Implementation Costs</b>	\$535,500										\$107,610				
<b>5-Year Average Estimated Operating Costs</b>	\$249,800										\$76,800				
<b>5-Year Revenues Less Costs</b>	\$(838K)	\$(408K)	\$22K	\$405K	\$802K	\$266K	\$1.2M	\$2.1M	\$3M	\$3.8M	\$(117K)	\$68.5K	\$255K	\$441K	\$627K
<b>Decrease in Non-Exempt Vacant Units</b>	13	16	17	19	21	28	34	37	42	45	5	6	7	8	9
Note: The declaration-based program displayed an overall decrease net of housing growth, whereas the decrease in units seen in the complaint-based model did not exceed the growth in housing.															

# High-Level Program Workplan



# The City of Kingston – Vacant Homes Tax Program Feasibility Study

## High-level implementation plan

Based on the completion of the vacant home tax feasibility study, KPMG developed high-level activities for potential implementation of the VHT. These high-level activities along with the estimated timeline is displayed below.

Phase	Activities	Estimated Timeline				
		0 - 6 months	6 – 12 months	12 – 18 months	18 – 24 months	
1	Public engagement and policy development	→				
2	Legislative drafting and approval process.		→			
3	Implementation of the declaration process and public awareness campaign.			→		
4	Monitoring, evaluation, and adjustments based on findings.				→	

Each phase within the implementation plan requires considerable work. To successfully implement the tax, the City will need to ensure that their strategy for implementation is well-thought out and timely. In stakeholder consultations, KPMG received feedback from multiple comparator municipalities emphasizing the importance of a carefully crafted implementation strategy. We will review each of the phases throughout this chapter of the report.

# Phase one – public engagement and policy development

Phase one: Public engagement and policy development		Implementation timeline: 0 – 12 months																							
<p>In Phase one, the focus is on engaging the public and developing a robust policy framework. This phase involves consultations with various stakeholders, including municipal departments, housing advocates, developers, property owners, and real estate boards, to ensure diverse perspectives are incorporated into the policy. These consultations will help refine the objectives of the VHT, including defining key terms such as “vacant,” identifying potential exemptions not identified through our comparator research, and establishing appropriate penalties. In addition, the city should engage with the community to initiate awareness of the VHT and receive feedback on its acceptance.</p> <p>The legal team should also review provincial legislation to ensure compliance and draft the initial policy framework. This groundwork sets the stage for a policy that is both feasible and effective in addressing housing challenges.</p>		<table border="1"> <thead> <tr> <th>Activity</th> <th>0 – 3 months</th> <th>3 – 6 months</th> <th>6 – 9 months</th> <th>9 – 12 months</th> </tr> </thead> <tbody> <tr> <td>Stakeholder Engagement</td> <td colspan="4">→</td> </tr> <tr> <td>Community Engagement</td> <td></td> <td colspan="3">→</td> </tr> <tr> <td>Draft policies</td> <td></td> <td colspan="3">→</td> </tr> </tbody> </table>				Activity	0 – 3 months	3 – 6 months	6 – 9 months	9 – 12 months	Stakeholder Engagement	→				Community Engagement		→			Draft policies		→		
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Stakeholder Engagement	→																								
Community Engagement		→																							
Draft policies		→																							
Key individuals		Potential risks																							
<ul style="list-style-type: none"> <li>Project Lead: Oversee all phases of the project with a focus on stakeholder engagement in phase one. They will be the initial point-of-contact for others supporting the project</li> <li>Consultants: Facilitate and conduct the stakeholder engagement.</li> <li>Other stakeholders: Participating in stakeholder engagement sessions and providing insight (e.g., Legal team, Housing Experts, IT Specialists)</li> </ul>		<ul style="list-style-type: none"> <li>Potential resistance from property owners and developers</li> <li>Data inaccuracies in identifying vacant properties</li> </ul>																							

# Phase two – legislative drafting and approval process

Phase two: Legislative drafting and approval process		Implementation timeline: 3 – 12 months														
<p>In Phase two, the City’s project and legal teams will translate the policy developed in the previous phase into actionable legislation through the drafting of a municipal by-law. This by-law should outline critical components of the VHT, such as tax rates, penalties for non-compliance, and processes for granting exemptions (highlighted in this report). The drafting process should be supported by Kingston’s legal team to ensure alignment with provincial and municipal legislation as well as mitigate risks of non-compliance or legal challenges.</p> <p>This phase also involves a robust approval process. The by-law will be presented to City Council through workshops and public meetings designed to address questions and gain support from elected officials. Public consultations should be conducted during this phase to increase transparency and gather additional feedback, ensuring that the policy has broad-based support. Once approved by Council, the by-law will provide the legal foundation for implementing the VHT in Kingston. The community should be engaged with throughout this phase as well, ensuring on-going and consistent communication.</p>		<table border="1"> <thead> <tr> <th>Activity</th> <th>3 – 6 months</th> <th>6 – 9 months</th> <th>9 – 12 months</th> </tr> </thead> <tbody> <tr> <td>Draft legislative documents</td> <td></td> <td colspan="2">→</td> </tr> <tr> <td>Approval process</td> <td></td> <td colspan="2">→</td> </tr> </tbody> </table>			Activity	3 – 6 months	6 – 9 months	9 – 12 months	Draft legislative documents		→		Approval process		→	
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Draft legislative documents		→														
Approval process		→														
Key individuals		Potential risks														
<ul style="list-style-type: none"> <li>• Legal Team: Draft by-law and ensure it is aligned with other municipal policies.</li> <li>• City Council: Review, request changes, and approve the policy framework.</li> <li>• Project Team: Develop materials to communicate policy to the public and stakeholders</li> </ul>		<ul style="list-style-type: none"> <li>• There is the potential for legal challenges or objections from stakeholders.</li> <li>• The approval process involves presenting the by-law to City Council, which may face political challenges.</li> <li>• The drafting and approval process requires significant resources, including time and personnel.</li> <li>• The timeline for drafting and approving the by-law may be impacted by various factors, including stakeholder feedback, legal reviews, and political considerations.</li> <li>•</li> </ul>														

# Phase three – implementation and public awareness campaign

Phase three: Implementation of the declaration process and public awareness campaign.	Implementation timeline: 12 – 18 months												
<p>In Phase three, Kingston will operationalize the VHT through the launch of a declaration process and a public awareness campaign. MyKingston will be leveraged to allow homeowners to declare the occupancy status of their properties. This platform will also support compliance monitoring and the issuance of penalties for non-compliance. Ensuring the reliability and security of this system will be a priority. The city will need to ensure that the software’s infrastructure is sophisticated enough to manage the new VHT.</p> <p>Prior to the launch of the VHT, the city should consider rolling out a public awareness campaign to educate property owners about the VHT. This campaign should include information on how to declare their properties occupied or vacant, the penalties for non-compliance, and the intended benefits of the program. This campaign should be launched through multiple channels, such as social media, local media, and community events to maximize outreach. The city may also consider leveraging additional communication methods such as call-in lines. Training sessions for municipal staff should also be held prior to the launch of the VHT to ensure they are well-equipped to manage the declaration process, answer questions from the public, and enforce compliance.</p>	<table border="1"> <thead> <tr> <th data-bbox="1617 361 1809 449">Activity</th> <th data-bbox="1809 361 2038 449">12 – 15 months</th> <th data-bbox="2038 361 2267 449">15 – 18 months</th> </tr> </thead> <tbody> <tr> <td data-bbox="1617 449 1809 511">Staff Training</td> <td data-bbox="1809 449 2038 511">→</td> <td data-bbox="2038 449 2267 511"></td> </tr> <tr> <td data-bbox="1617 511 1809 615">Public Awareness Campaign</td> <td data-bbox="1809 511 2038 615">→</td> <td data-bbox="2038 511 2267 615">→</td> </tr> <tr> <td data-bbox="1617 615 1809 691">Launch of VHT</td> <td data-bbox="1809 615 2038 691"></td> <td data-bbox="2038 615 2267 691">→</td> </tr> </tbody> </table>	Activity	12 – 15 months	15 – 18 months	Staff Training	→		Public Awareness Campaign	→	→	Launch of VHT		→
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Launch of VHT		→											
Key individuals	Potential risks												
<ul style="list-style-type: none"> <li>• Municipal staff: Oversee the development and testing of the declaration platform.</li> <li>• IT Specialists: Oversee the implementation of the VHT within MyKingston and maintain the platform.</li> <li>• Project Team: Lead and maintain the public awareness campaign and all public communications.</li> </ul>	<ul style="list-style-type: none"> <li>• There may be technical challenges or resistance to the software.</li> <li>• An ineffective public awareness campaign may lead to low homeowner participation in the declaration process as well as increased non-compliance and questions from the public.</li> <li>• If the public awareness campaign does not adequately address concerns or highlight the benefits of the program, it could lead to public backlash.</li> <li>• If the training is insufficient or not comprehensive, staff may struggle to assist property owners effectively, leading to frustration and potential non-compliance.</li> <li>• If resources are limited or misallocated, it could hinder the thoroughness of the public awareness campaign or the municipal staff’s ability to answer resident questions, furthering impacting the effectiveness of the awareness campaign.</li> </ul>												

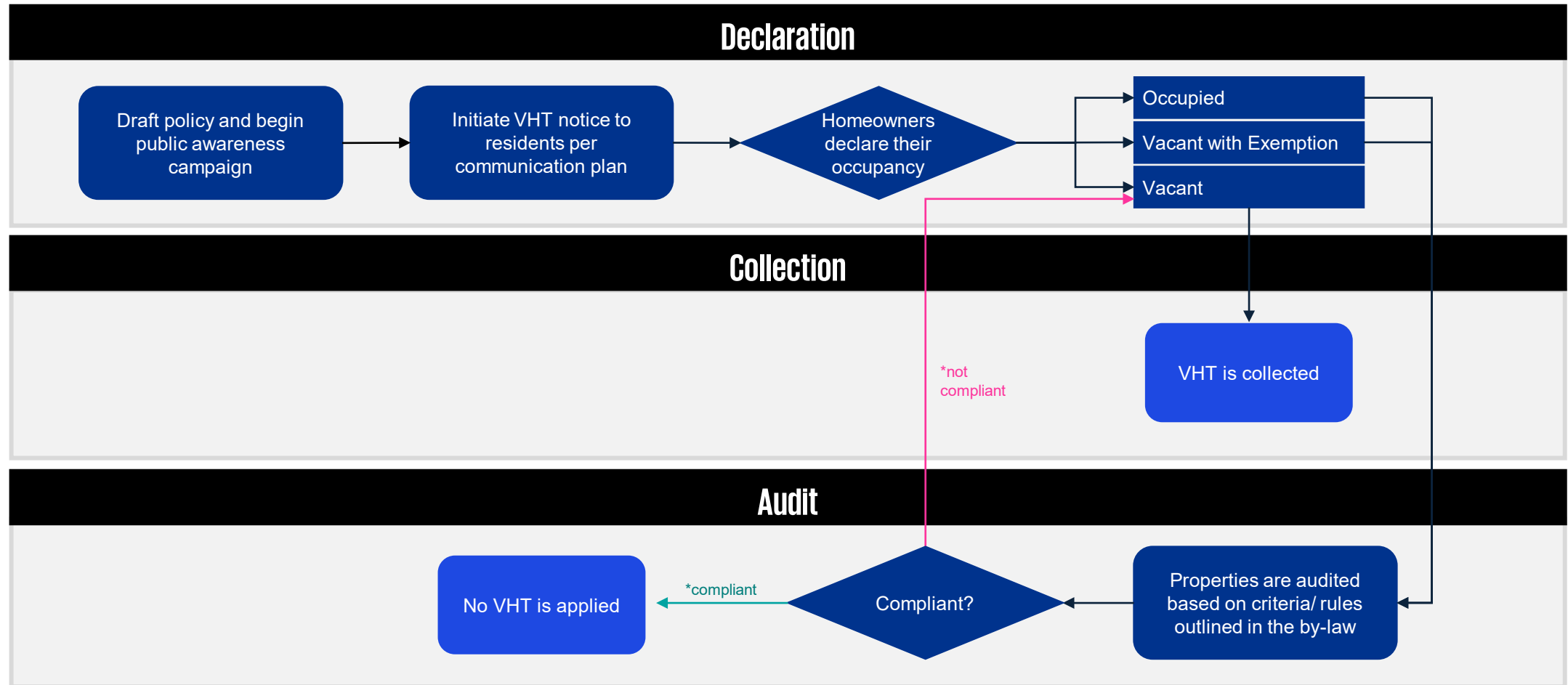
# Phase four – monitoring, evaluation, and adjustments

Phase four: Monitoring, evaluation, and adjustments based on findings.	Frequency of Activities
<p>In Phase four, the focus shifts to ongoing monitoring, evaluation, and adjustments to the VHT policy. Kingston will establish systems to track compliance rates, collect tax revenues, and assess the policy's impact on housing availability and affordability. Annual compliance reports will be prepared to inform City Council and the public about the effectiveness of the VHT and any emerging challenges.</p> <p>As part of this phase, the city will analyze the collected data to identify trends and areas for improvement. Adjustments to the policy, such as refining exemptions or revising tax rates, may be recommended based on these findings. Should there be any unforeseen issues, the city will have a contingency plan in place to address any changes and how they will be communicated with the community. The goal of this phase is to ensure that the VHT remains responsive to Kingston's housing market and continues to achieve its intended objectives over time.</p>	<ol style="list-style-type: none"> <li><b>1. Monitoring</b> <ol style="list-style-type: none"> <li><b>a. Frequency:</b> Ongoing</li> <li><b>b. Activities:</b> Establish systems to track compliance rates and collect tax revenues.</li> </ol> </li> <li><b>2. Compliance Reports</b> <ol style="list-style-type: none"> <li><b>a. Frequency:</b> Annually</li> <li><b>b. Activities:</b> Reports summarizing the effectiveness of the VHT and highlighting program insights.</li> </ol> </li> <li><b>3. Data Analysis and Policy Adjustments</b> <ol style="list-style-type: none"> <li><b>a. Frequency:</b> Quarterly and Annually</li> <li><b>b. Activities:</b> Conduct data analysis every three months to identify trends and areas for improvement. Based on findings from the compliance reports and data analysis, make policy adjustment recommendations annually.</li> </ol> </li> </ol>
Key individuals	Potential risks
<ul style="list-style-type: none"> <li>• City Staff: Collect and analyze all data in compliance and the housing impact. Track tax revenues and enforcement costs.</li> <li>• Policy advisors: Will provide insight on recommended adjustments to improve policy effectiveness and support with adjustments.</li> </ul>	<ul style="list-style-type: none"> <li>• If the systems established to track compliance rates and tax revenues are flawed or if data is not accurately reported, it could lead to misleading conclusions about the policy's effectiveness.</li> <li>• If the city lacks adequate resources or systems to monitor compliance effectively, it may lead to low compliance rates.</li> <li>• If the city fails to communicate VHT changes clearly, it could lead to confusion and resistance among the public.</li> <li>• If the city does not continuously assess the policy's impact on housing availability and affordability, it may become outdated or ineffective, failing to meet its intended objectives.</li> <li>• The presence of the VHT may lead to public dissatisfaction and political pressures from residents paying the tax.</li> </ul>

# The City of Kingston – Vacant Homes Tax Program Feasibility Study

## VHT High-Level Process Map

The process map below outlines the steps involved in the declaration-based program for a vacant home tax. It illustrates the key stages from declaration to collection and the audit.



# Next Steps

# Next steps

If Council approves to move forward with the VHT program, the implementation plan will include several key components listed below. KPMG’s work plan to develop the program implementation plan includes four working sessions with the Project team and is anticipated to be completed within a timeframe of 15 weeks.

**01**

**Final Program Design**

This includes defining key aspects of the program such as vacant home definitions, exemptions, administrative matters, staffing requirements, tax rate, and enforcement functions. The success of the tax will be determined by its ability to increase the availability of secondary rental housing and enhance housing affordability within the city.

**02**

**Analysis of Provincial Requirements**

The plan will consider any provincial requirements including elements of the new provincial policy framework announced in the 2024 Ontario Budget.

**03**

**Communication and Public Education Plan**

Once the VHT program is approved, a thorough communication and public education plan will be developed. This will include identifying core objectives, target audience, key messages, appropriate communication channels, and creating a timeline and budget.

**04**

**Policy and By-law Development**

Key elements of the VHT Policy will be identified based on jurisdictional analysis, which will inform the VHT Bylaw. Important policy considerations include defining vacant homes, possible exemptions, conditions and limits for implementing a VHT, potential methods for identifying vacant homes, potential impacts of the VHT on other City policies, and a clearly defined program implementation workplan.

**05**

**Implementation Plan and Report**

The workplan will include an implementation plan highlighting key tasks and activities, timelines, responsibilities across different stakeholders, and expected outcomes. The implementation plan will also identify resources required to complete each task and potential risks with mitigating strategies.



# Appendix

# Appendix A: Scope of Review

# Project approach

Phase one: Project Initiation	Phase two: Current state assessment	Phase three: Feasibility study	Phase four: Final Report and Presentation
During this phase we kicked off the project with Kingston’s Project Team. We then worked with the team to prepare a project Charter to direct the study.	During phase two we conducted research and completed engagement activities (interviews) to gather and understanding of the current state and benchmark with comparing municipalities.	In Phase three, we did an analysis on the feasibility of implementing a VHT based on the findings from the previous phases. We developed a high-level overview of the rationale and potential impacts.	In phase four we summarized all of the work completed in the first three phases and developed a final report with a high-level implementation plan.

# Individuals engaged

Stakeholders		Comparators	
Jeff Walker	Sukriti Agarwal	Sault Ste. Marie	Ottawa
Lana Foulds	Stewart Waldron	Windsor	

# Documents reviewed

Document title			
hna-template-modele-ebml-en	Housing Market Conditions Data Analysis	housing-market-indicators-kingston-1990-2016	hss_report_housinghomelessness2023
kingston hss_plan_housinghomelessnessupdate	OTTAWA_24-145_Report_E_v12	Sault Ste. Marie - Draft VHT Framework - August 2024	KPMG-City_wtr 0-1m3 locations_20241115_To KPMG
planning_2021censussummary_populationdwellingcounts	planning_2021censussummary_typeofdwelling	Report-23-172_Housing-Accelerator-Fund and Housing Needs Assessment	Report-24-016_Population-Housing-and-Employment-Growth-Forecast-Update-to-2051
Report-24-093_Population-Housing-and-Workforce-Update	Residential Service Addresses - zero water consumption 6 months_2024Oct22	City-Council_Meeting-10-2020_Report-20-082_Transmittal-of-Mayors-Task-Force-on-Housing	FW_request for estimated operating costs for VHT [EXTERNAL]
Toronto Council backgroundfile-158977	Case Study Research Notes - Melbourne	Jurisdictional Research - VRLT Phone Interview Notes	Revenue Options Study Refresh_FINAL - Oct 2 2019
VHT Reboot Research Notes (2020.11.17)	Toronto VHT Rpt	VHT Report - Final Draft Council Presentation 2020.03.27	VHT Report - Final Report - 2020.03.27
VHT Report - Final Report - 2020.03.27	VHT Supplemental Report - Final - 2020.11.26	VHT Supplemental Report - Final - 2020.11.26	Draft VHT Framework - August 2024
SSM Vacant Home Tax - Council Report - April 29, 2024	Vacant Home Tax - Sept 2024 - Open House Presentation Panels	VHT Oct 21 Council Report	876a-VHT_report_survey-results-all-responses
Appendix I - EY Feasibility Study titled Region of Peel Feasibility Assessment for Vacant Homes Tax	FN-15-22_Attachment_1_Halton_Region_-_Vacant_Homes_Tax_Feasibility_Review	VHTYR-HousingGroupPresentation-v2	York VHT - Ph. 2 Stakeholder Consultation Notes - Draft
York Region - Vacant Home Tax - Final Report - Draft v3.0 - 2022.08.24	York Region - Vacant Home Tax - Final Report (2022.08.24)	York Region - Vacant Home Tax - Final Report (2023.04.05)	York Region - Vacant Home Tax - Housing Market Analysis - Final
York Region - VHT Summary Slides - Draft v1.1 (2022.09.15)	Att 1 - KPMG Report - A review of considerations for a Vacant Home Tax in York Region	FN-15-22_Attachment_1_Halton_Region_-_Vacant_Homes_Tax_Feasibility_Review_-_	Peel - Vacant Home Tax Feasibility Study
Provincial Policy Framework			

# **Appendix B: Summary of comparing municipalities**

# Summary of comparators – Sault Ste. Marie (1/2)

	City of Sault Ste. Marie
Definition of a Vacant Home	A vacant home will be defined as any residential unit unoccupied for more than 183 days in a taxation year and does not meet the exemption criteria. Vacant residential lots will not be subject to VHT at this time.
Method of Declaration	<p>It is recommended that the City use a complaint-based method, where:</p> <ol style="list-style-type: none"> <li>1. Vacant residential properties will be identified at the time that a complaint or a tip is received from the public.</li> <li>2. Owners of suspected vacant homes will be required to submit a Declaration of Occupancy Status Form. The City is authorized to request evidentiary documentations from property owners to determine whether a property is subject to the VHT.</li> <li>3. Making a false declaration or failing to provide a declaration when asked will result in the property being deemed vacant.</li> </ol> <p>It is not recommended to use a mandatory declaration method where all residential property owners must submit a Declaration of Occupancy Status Form annually.</p>
Suggested Tax rate	The Working Group recommended a 3% tax because other municipalities that have implemented this program have already increased from 1% to 3%. However, Council amended their recommendation and decided upon a 4% tax rate based on survey results which indicated that most respondents wanted “4% or more.” Sault Ste. Marie will proceed with a 4% tax rate for the VHT program.
Eligibility Criteria	A residential unit is considered occupied and exempt from the VHT if it is: 1. The principal residence <sup>1</sup> of the owner of the property; 2. The principal residence of an immediate family member of the owner; or 3. It is rented out and occupied as a residence by a tenant for at least 6 months of a taxation year. Residential properties that are not the principal residence of any of the above persons and were vacant for a minimum of 183 days are subject to the VHT, unless they meet one of the following exemptions in the next section.
Fines/ Penalties	<ul style="list-style-type: none"> <li>• False declaration fine - a penalty of \$3,500 is to be imposed for declarations determined to be deliberately false or misleading in order to avoid the VHT.</li> <li>• Overdue payments - the bill will be added to the property tax account and payable in one installment payment due within 90 days of the issue date of the bill. Any amount outstanding after the due date will be subject to penalty (1.25%) and interest calculated monthly at a rate of 1.25%.</li> </ul>

Source: Sault Ste. Marie Draft Vacant Home Tax (VHT) Framework August 2024 and Comparator interviews

# Summary of comparators – Sault Ste. Marie (2/2)

	City of Sault Ste. Marie
Exemptions	<ul style="list-style-type: none"> <li>a. Death of a registered owner - a Residential Unit whose owner has died will be exempt from a VHT levy in the period of up to twenty-four (24) months beginning the month after the owner(s)' death, provided the Residential Unit was Occupied at the time of death. Applies to the legal estate or heir without any extension to the exemption period (24 months);</li> <li>b. Registered owner in care - a Residential Unit that is vacant for a period of up to two (2) years following the date the registered owner was admitted to care (hospitalization, long-term care);</li> <li>c. Property transferred in the reference year - a Residential Unit that has changed ownership in whole by way of an arm's length transaction, shall not be subject to a VHT levy for the taxation year during which the transaction occurred;</li> <li>d. Undergoing major renovations within a reasonable timeframe - a Residential Unit that is undergoing major redevelopment or renovations that, in the judgement of the municipality, are being pursued within a reasonable timeframe. All necessary permits have been issued by the City for the repairs and renovations;</li> <li>e. Non-profit housing - a Residential Unit that is owned/managed by a Not-for-profit or considered social housing;</li> <li>f. Subject to Court Order prohibiting occupancy and owner is making efforts to remedy - a Residential Unit with a court order preventing occupancy during the Vacancy Reference Year, unless the order is conditional on an action of the owner, or the state and condition of the property and the owner has not made reasonable efforts to remedy the circumstances that led to the order;</li> <li>g. Seasonal properties - the property is classified as seasonal (MPAC codes 363, 364, 385, 391, 392, and 395).</li> <li>h. Vacant new inventory – a residential unit that was continuously listed for sale or lease and not sold or leased in the first year in which the unit was added to the tax roll.</li> <li>i. Multi-residential properties - a unit within the multi-residential tax class (has greater than 6 units). The Municipal Act, 2001 states that municipal Vacant Home Taxes may apply to residential units that are classified in the residential property class under the Assessment Act and are taxable under that act for municipal purposes. Properties with more than 6 units are classified in the multi-residential property class.</li> <li>j. A short-term rental in good standing - a Residential Unit used exclusively as a Short-Term Rental if Occupied for a minimum of 183 days during the taxation year and there exists a license for the STR that is in good standing.</li> </ul>

Source: Sault Ste. Marie Draft Vacant Home Tax (VHT) Framework August 2024



# Summary of comparators – Windsor (1/2)

City of Windsor	
Definition of a Vacant Home	The VHT will apply to a residential property that is determined to be unoccupied for a period of more than 183 days in any Taxation Year, except 2024, the year of implementation. For the 2024 Taxation Year, the unoccupied period will be more than 140 days during the time period March 27 to December 31, 2024. Vacant residential lots are not subject to VHT at this time.
Method of Declaration	If you own a residential property that you know was vacant for more than 183 days (140 days in 2024) in the Taxation Year, you must fill out the declaration and submit it to the City of Windsor Tax Department. If you are unsure if your property meets the criteria of being vacant, you may fill out a form, and we will contact you to discuss. If the City is made aware of a property that may be subject to VHT, the owner will be contacted either by phone, email or letter requesting that a declaration form be filled out and returned within 30 days of the date of the communication request from the City. Anonymous tips are also welcomed by the public.
Suggested Tax rate	A tax of 3% of the assessment value of the property in the Taxation Year, as determined by the Municipal Property Assessment Corporation (MPAC), will be billed and payable in the Taxation Year. The program will run annually. In the 2024 Taxation Year, the City will calculate the VHT as 3% of the 2024 assessment value for a residential property that was vacant for more than 140 days.
Eligibility Criteria	A residential unit is considered occupied and exempt from the VHT if it was the primary and usual residence during the year for: <ul style="list-style-type: none"> <li>• The assessed owner of the property, or</li> <li>• An immediate family member of the assessed owner, or</li> <li>• An individual who has entered into a formal residential lease or rental agreement under a term no less than 183 days, save and except for 2024.</li> </ul> Residential properties that are not the principal residence of any of the above persons and were vacant for a minimum of 183 days, save and except for 2024 (140 days).
Fines/ Penalties	<ol style="list-style-type: none"> <li>1. Any Person contravening any provision of this By-law is guilty of an offence and on conviction is liable to such fine as is provided for under the Provincial Offences Act, R.S.O. 1990, Chapter P.33, as amended from time to time.</li> <li>2. Despite the provisions of subsection 13. (a) the fine for submitting a false or misleading Declaration of Occupancy Status Form is \$3,500.00</li> </ol>

Source: <https://www.citywindsor.ca/city-hall/taxes-and-assessment/municipal-vacant-home-tax-vht>

[https://www.citywindsor.ca/documents/city-hall/by-laws-online/119-2024%20\(Vacant%20Home%20Tax-1\).pdf](https://www.citywindsor.ca/documents/city-hall/by-laws-online/119-2024%20(Vacant%20Home%20Tax-1).pdf)





# Summary of comparators – Windsor (2/2)

	City of Windsor
Exemptions	<ul style="list-style-type: none"> <li>a. It is undergoing active and ongoing repairs and renovations of which there is an open and active building permit(s) issued by the City of Windsor.</li> <li>b. It is on land for which a development/redevelopment application has been approved by the City of Windsor. The effective period would be retroactive to the date the application was filed until one year after the date the application was approved.</li> <li>c. It is listed publicly for sale or rent for a period of up to 12 consecutive months. The Listed for Sale exemption is limited to once per ownership term. The Listed for Rent exemption may be claimed multiple times, provided that the unoccupied periods are separated by a tenancy lasting no less than twelve months and verified by way of executed lease.</li> <li>d. It has changed ownership in whole by way of an arm’s length transaction; the unit will not be subject to VHT for the taxation year during which the transaction occurred.</li> <li>e. The registered owner was admitted to care (hospitalization, long-term care) – the exemption applies for a period up to two years from the date admitted to care.</li> <li>f. The registered owner has died – the exemption applies for a period of up to two years starting the month after the owner’s death, provided the unit was occupied at the time of death. The exemption applies to the legal estate or heir without any extension to the exemption period.</li> <li>g. It is owned by a business and used exclusively as a part-time residence by its employees, directors, or clients for a minimum of 183 days during the Taxation Year, save and except during the 2024 Taxation Year, for at least 140 days. This cannot be claimed for a property used or offered as a short-term rental during the year, and it cannot be claimed in conjunction with any other exemption.</li> <li>h. It has a court order preventing occupancy during the Taxation Year, unless the order is conditional on an action of the owner or the state and condition of the property, and the owner has not made reasonable efforts to remedy the circumstances that led to the order.</li> <li>i. It is a unit in a multi-residential property (greater than six units).</li> <li>j. It is a unit that is managed or considered social or affordable housing and is in receipt of funding from the City of Windsor.</li> </ul>

Source: <https://www.citywindsor.ca/city-hall/taxes-and-assessment/municipal-vacant-home-tax-vht>



# Summary of comparators – Hamilton (1/2)

	City of Hamilton
Definition of a Vacant Home	The VUT is an annual tax payable by the owner of a residential unit that has been vacant for more than 183 days in the previous calendar year. All owners of residential units must submit an annual mandatory declaration on the status of their property. If a mandatory declaration is not submitted, the residential unit will be considered vacant and the VUT will be charged.
Method of Declaration	<p>The City will audit mandatory occupancy declarations for accuracy on an annual basis. Audits will be conducted in the following scenarios:</p> <ul style="list-style-type: none"> <li>• Properties that report an exemption</li> <li>• Properties declared occupied that were vacant the previous year</li> <li>• A complaint or tip</li> <li>• Random selection</li> <li>• Targeted audit campaigns</li> <li>• Properties reported vacant in the Vacant Building Registry (registered and unregistered)</li> </ul> <p>If as a result of an audit the property is considered vacant, the VUT will be charged.</p>
Suggested Tax rate	<p>If the residential unit has been declared vacant for more than 183 days in the previous calendar year and does not meet one of the exceptions, the VUT will be applied. The first year the tax will be payable is 2025, based on the status of the property in 2024.</p> <p>The tax will be calculated at a rate of one percent of the property's assessed value, and the tax will be included in the Final Property Tax Bill mailed out in June.</p>
Eligibility Criteria	<p>A residential unit may be considered vacant by the City and subject to the tax if the owner:</p> <ul style="list-style-type: none"> <li>failed to make a mandatory declaration by the prescribed deadline</li> <li>failed to provide information or to submit any evidence required by the City</li> </ul>
Fines/ Penalties	<ul style="list-style-type: none"> <li>• Late Mandatory Declaration Fee: \$250</li> <li>• Non-Declaration Fee: \$250</li> <li>• Penalties and Interest: Penalty of 1.25% on the first day of default, plus 1.25% interest per month.</li> <li>• Other offences set in the by-law.</li> </ul>

Source: <https://www.hamilton.ca/home-neighbourhood/property-taxes/vacant-unit-tax>

# Summary of comparators – Hamilton (2/2)

	City of Hamilton
Exemptions	<p>A property may be left vacant and be exempt from the Vacant Unit Tax if one of the following criteria is met:</p> <ol style="list-style-type: none"> <li>a. Death of an owner: the exemption applies to the year of death, plus one subsequent year only.</li> <li>b. Major renovations: major renovations or redevelopment make occupation of a unit impossible for more than 183 days in the same calendar year, provided a building permit has been issued.</li> <li>c. Sale of the property: the VUT will not apply in the year of the sale if the transfer is to an unrelated individual or corporation.</li> <li>d. Principal resident is in care, institutionalized or hospitalized: the period of time when the principal resident resides in a hospital, long-term or a supportive care facility.</li> <li>e. Court order: if a court order prohibiting occupancy of the residential property is in effect.</li> <li>f. Non-profit housing: the exemption applies for designated housing projects owned and operated by non-profit corporations.</li> </ol>

Source: <https://www.hamilton.ca/home-neighbourhood/property-taxes/vacant-unit-tax>



# Summary of comparators – Toronto (1/2)

City of Toronto	
Definition of a Vacant Home	A residential property that was vacant for six months or more during the taxation year should be declared vacant by the homeowner in the declaration of occupancy status submission. A property will be deemed vacant if the owner fails to make a property status declaration and/or provide supporting documentation where applicable. A property that has been selected for audit, or on review of a Notice of Complaint or appeal can be determined to be vacant upon completion of the review.
Method of Declaration	Owners of properties in Toronto that are classified within the residential property tax class are required to declare the occupancy status of their property every year, even if they reside there. However, the tax does not apply to: (1) properties that are the principal residence of the owner (2) properties that are the principal residence of a permitted occupant or occupied by a tenant (including business tenants) (3) properties that qualify for an exemption A property is considered vacant and the tax does apply if: (1) the property was not the principal residence of the owner or any permitted occupants or was not occupied by tenants for a total of six months or more during the calendar year (2) the property was not eligible for an exemption (3) the property was deemed vacant because the owner failed to submit a declaration of occupancy status or any required supporting documentation Owners of properties subject to the tax will be issued a Vacant Home Tax Notice at the end of March and payment will be due in three instalments in May, June and July.
Suggested Tax rate	For 2024 and future taxation years, a tax of three per cent of the CVA will be levied on all Toronto residences that are declared, deemed or determined to be vacant for more than six months during the previous year. For example, if the CVA of your property is \$1,000,000, the tax amount billed would be \$30,000 (3% x \$1,000,000).
Eligibility Criteria	A property is considered vacant and the tax does apply if: (1) the property was not the principal residence of the owner or any permitted occupants or was not occupied by tenants for a total of six months or more during the calendar year (2) the property was not eligible for an exemption (3) the property was deemed vacant because the owner failed to submit a declaration of occupancy status or any required supporting documentation
Fines/ Penalties	If a declaration is not submitted by the deadline, the property will be deemed vacant and will be subject to the Vacant Home Tax. Effective January 1, 2024, a fee of \$21.24 was implemented for failing to submit a declaration of occupancy status by the declaration deadline. This fee is being waived for all applicable properties for the 2023 taxation year. The City will credit the property tax account of owners who have already paid the fee. Interest charges will apply to any overdue Vacant Home Tax amount at a rate of 1.25 per cent on the first day of default and on the first day of each month thereafter, for as long as taxes or charges remain unpaid. Upon default of payment, the unpaid amount will be added to the property tax roll for the residential property and will be collected in the same manner as property taxes. A Dishonoured Cheque Processing / Non-Sufficient Funds (NSF) fee will be applied to all payments that are not honoured by a financial institution. False declarations of occupancy status or failure to provide information when requested may result in a fine of up to \$10,000, in addition to payment of the tax

Source: <https://www.hamilton.ca/home-neighbourhood/property-taxes/vacant-unit-tax>

# Summary of comparators – Toronto (2/2)

City of Toronto		
Exemptions	Death of a registered owner	The property was vacant for six months or more in the taxation year due to the death of an owner. This exemption may be claimed for up to three consecutive taxation years if the owner of the vacant unit died in the taxation year or in the two previous taxation years.
	Repairs or renovations	The vacant property is undergoing repairs or renovations, and all the following conditions have been met: Occupation and normal use of the vacant property is prevented by the repairs and renovations for at least six months of the taxation year. All necessary permits have been issued for the repairs and renovations. The City is of the opinion that repairs or renovations are being actively carried out without unnecessary delay.
	Principal resident is in care	The principal resident of the vacant property is in a hospital, long term or supportive care facility for at least six months during the taxation year. This exemption may be claimed for up to two consecutive taxation years.
	Transfer of legal ownership	The closing date of the purchased property was in the taxation year being declared. The sale involved a 100 per cent transfer of the property to another individual or corporation. This excludes name changes, adding a second owner and removing a second owner.
	Occupancy for full-time employment	The vacant property is required for occupation for employment purposes for a total of at least six months in the taxation year, by its owner who has a principal residence outside of the Greater Toronto Area.
	Court order	There is a court order in force which prohibits occupancy of the vacant property for at least six months of the taxation year.
	Vacant new inventory	This exemption can be claimed by the developer of a newly constructed residential unit for up to two consecutive years if all the following conditions have been met: <ul style="list-style-type: none"> <li>• The residential unit was not occupied as a residence at the end of the last business day of the taxation year for which the property is being declared, and was not occupied for residential purposes since it was constructed.</li> <li>• The residential unit was actively offered to the public for sale in the taxation year for which the property is being declared.</li> <li>• The owner of the residential unit is the developer of the residential unit.</li> </ul>

Source: <https://www.hamilton.ca/home-neighbourhood/property-taxes/vacant-unit-tax>



# Summary of comparators – Ottawa (1/2)

	City of Ottawa
Definition of a Vacant Home	A residential unit is considered vacant if it has been unoccupied for an aggregate of more than 184 days during the previous calendar year. A unit will be considered vacant if it was not used as a principal residence and has been unoccupied for more than 184 days in the previous calendar year. The tax applies only to properties in the residential tax class (excludes commercial, industrial, and multi-residential properties).
Method of Declaration	All residential property owners will be required to register the status of their property during the previous year; if no declaration is made, the property will be deemed vacant and will be subject to the tax. The tax does not apply to, but a declaration is still required for: <ul style="list-style-type: none"> <li>• Principal Residence</li> <li>• Tenanted properties</li> <li>• Properties occupied by a family member, friend, or other resident using it as their principal residence</li> <li>• Properties qualifying for one of the available exemptions</li> </ul>
Suggested Tax rate	The first year the tax will be payable is 2023, based on the status of the property in 2022. The tax will be calculated at a rate of 1% of the property's assessed value, and the tax will be applied to the Final Tax Bill, which is due on the third Thursday of June (June 15 in 2023).
Eligibility Criteria	Eligible properties are determined using the property code assigned by the Municipal Property Assessment Corporation (MPAC). The property code can be found on the back of the bill of your most recent Final Tax Bill. Not all residential property codes are required to submit a declaration. Review the list of eligible properties outlined in the by-law. All residential property owners are required to submit an annual property declaration starting in January 2023, even if you are using the property as your principal residence. If you own more than one property, you must submit a declaration for each. Eligible property owners will receive reminders to declare each year.
Fines/ Penalties	Failure to submit a property occupancy declaration by the due date will result in a \$250 fee added to the tax roll. Late declarations are accepted until April 30. False property status declarations, or failure to provide information when requested may result in fines of up to \$10,000, in addition to payment of the tax. If no declaration is submitted by the late declaration due date, the property will be deemed vacant, and the Vacant Unit Tax will be applied to the roll. The Vacant Unit Tax is added to the Final Tax bill, due in June. The Vacant Unit Tax is subject to the same penalties for non-payment as property taxes, including: <ul style="list-style-type: none"> <li>• 1.25% interest added on the 1st of every month</li> <li>• The tax sale process</li> <li>• Unpaid Vacant Unit Tax also forms a lien on the property</li> </ul>

Source: <https://www.hamilton.ca/home-neighbourhood/property-taxes/vacant-unit-tax>

# Summary of comparators – Ottawa (2/2)

City of Ottawa		
Exemptions	In Case of Sale	You purchased your property in the previous year, and the sale involved a 100% transfer of an interest in the property to an unrelated individual or corporation. This excludes name changes, adding a second owner, removing a second owner etc.
	In Case of Court/Government Order	A court or government order prohibits the property from being occupied. Note: in cases where occupancy is not permitted due to the owner's neglect, an exemption will not be granted.
	In Case of Death	The property was vacant for at least 184 days in the previous year due to the death of an owner. This exemption is only available in the year of death and the subsequent year.
	Owner in Care	The owner or occupant was residing in a hospital, long-term or supportive care facility for at least 184 days in the previous calendar year.
	Construction/Renovation	The property was undergoing redevelopment or major renovations for which the appropriate building permits have been issued. The project must be significant enough that the property cannot be occupied for at least 184 days in the year. Minor renovations are not included.
	Combination of tenanted and construction/renovation	The property had a combination of tenants and vacancies for construction/renovation totalling at least 184 days.
	Cottage rental	The property is used as a cottage rental in the rural area, with a valid host permit, and it is rented for at least 100 days in the previous year.
	A Newly Built Unit Listed for Sale or for Lease	The property was continuously listed for sale or lease and not sold or leased in the first year in which the unit was added to the tax roll.

Source: <https://www.hamilton.ca/home-neighbourhood/property-taxes/vacant-unit-tax>



# Appendix C: Interview guides



# Interview guide – City staff

1. In your opinion, what is the primary purpose and objective of a potential VHT program? If implemented, where would you like to see revenue from program allocated?
2. What are your key concerns regarding program implementation? Key risks you foresee with a VHT?
3. How would you like vacant homes to be identified? Mandatory self declaration, declaration by exemption, compliance audits, utility monitoring, etc.
4. What enforcement steps are in place right now in Kingston for municipal tax non-compliance? Are there any key trends in tax non-compliance in Kingston that we should be aware of?
5. What are the key principles you consider most important to determine taxation rate? i.e., benchmarking rate with comparators, rate require to generate positive revenue, rate require to incentivize change of behaviour, alignment with existing property tax rates, etc.
6. What considerations, if any, should be made for Kingston's high student and military populations?
7. What existing systems or databases can be used to administer the vacant homes tax program? Will new software or technology be required to support program operations?
8. Do you anticipate additional staff may be required to implement and manage a VHT program? If so, what additional roles might be required?
9. Do you have any final thoughts or comments you would like share with us today?

# The City of Kingston – Vacant Homes Tax Program Feasibility Study

## Interview guide – Comparators

1. Could you provide a brief overview of the process your municipality followed to implement the Vacant Home Tax (VHT)?
2. How long has the entire planning and implementation process taken? When did initial planning begin?
3. Who were the key stakeholders involved in the planning and implementation phases (e.g., municipal departments, community stakeholders, legal advisors, etc.)?
4. What steps did you take to engage and inform the public and property owners about the tax before implementation?
5. What challenges or discussions arose during council approval of the VHT?
6. Were there any concerns about how the tax might disproportionately affect certain property owners or communities?
7. How did you gather the necessary data to identify vacant properties? Were there any significant data gaps or challenges?
8. Has the implementation of the VHT required new software or upgrades to your existing systems?
9. Were there any changes/additions required to your staffing model or other resources to accommodate the program?
10. If you could go back, is there anything you would change about the implementation process? What key pieces of advice would you offer to Kingston as they consider implementing a similar tax?



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