IPTI Xtracts

Property Tax and Assessment News from Around the World

CANADA – July 2021

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Canada's luxury real estate market is on fire. Can the foreign homebuyers' tax cool it?

Canada's pandemic real estate craze goes all the way to the top, according to new data compiled by Sotheby's International Realty Canada.

The report, which tracks sales of properties priced over $1 million, $4 million and $10 million, shows triple-digit growth in major cities across Canada in terms of the number of luxury homes and condos that switched hands in the first half of 2021 compared to the first half of 2020.

"We're seeing this right across the country for the first time in a long time: all the major (urban) centres are basically firing on all cylinders," says Don Kottick, president and CEO of Sotheby's International Realty Canada.

He is optimistic that momentum will carry forward to 2022, even as Ottawa promises to implement a tax on empty properties owned by foreign non-residents.

"All the indicators are leading into a strong bull market going into 2022," he says.

While the onset of the COVID-19 pandemic briefly sent homes sales plunging in the spring of 2020, this year's sales of luxury homes are strong even when compared to pre-pandemic sale volumes.

The Greater Toronto Area, for example, recorded 414 properties sold for over $4 million in the first six months of 2021, up around 300 per cent compared to the 103 such properties sold over the first half of 2019.

Overall, $1 million-plus residential sales surged to 29,394 transactions between January and June of 2021, up roughly 240 per cent compared to the 8,612 transactions above $1-million recorded over the same period in 2019.

The data likely reflects both frenzied buying and selling activity as well as the fact that soaring valuations are pushing a larger number of properties above the price threshold that has traditionally been considered "luxury."

Nationally, sales volumes reached an all-time record in March, before settling at lower but still historically extraordinary levels in April and May, according to the Canadian Real Estate Association.

Home prices have also skyrocketed across much of Canada, with the national average home price reaching a little over $688,000 in May 2021, up a whopping 38 per cent from the same month last year.

The luxury market is having a moment right across the country, according to Sotheby's report. In Vancouver, the number of homes selling above $10 million was up 300 per cent year-over-year. Montreal saw the sale of a $12.9 million condo, which broke Quebec's historic record for condominium prices on the multiple listing service (MLS).

And even in Calgary, sales of single and attached homes saw healthy activity, with 615 properties selling for over $1 million in the City of Calgary, although sales of condos above that priced remained a very small percentage of the market, according to the report.

According to Kottick, the factors that propelled sales in the upper echelons of Canada's real estate are the same ones that fuelled homebuyers' fever in the rest of the housing market: record-low interest rates, a desire for bigger properties and more space, and a chronic undersupply of homes.

The luxury market has moved "in tandem" with the broader market, coming to a virtual halt in March and April but then quickly recovering and progressively heating up through the summer and fall of 2020 and through the winter, reaching eye-popping sales volumes in the spring of 2021.

Like in the rest of the market, sales activity has tempered a little lately, though it remains strong, Kottick says. He believes it's just a temporary "breather." As Canada's reopens its borders to immigration while interest rates remain low, the pressure from buyers will build up again, he predicts.

Even a looming federal tax on vacant and underused properties held by foreign homeowners won't do much to slow down Canada's luxury real estate market, Kottick believes.

As eye-popping home price increases put the dream of homeownership out of reach for many young Canadians, the Trudeau government has vowed to impose a nationwide levy on foreign homeowners aimed at clamping down on international speculators.

The tax is expected to yield $700 million in additional revenues over four years starting in 2022-23, money Ottawa says will be used to improve housing affordability for Canadians.

British Columbia has a 20 per cent land-transfer tax for foreign buyers in some regions, along with an additional speculation levy on empty homes, while Ontario's 15 per cent tax applies to foreign buyers investing in certain cities.

But with immigration grinding to a halt during the pandemic, the vast majority of those snapping up the country's multi-million-dollar homes over the past year have been Canadians, according to Kottick. At first, it was affluent buyers upgrading to larger properties, leaving downtown urban centres or moving across provinces. Then mostly domestic investors joined the fray, he says.

"Real estate is now considered an asset class," he says.

With the reopening of the border, he expects international demand for Canadian housing to come back from both foreign investors and immigrants regardless of the new federal tax.

Some economists reckon even an empty-homes tax targeted narrowly at foreign buyers may send a chill through the housing market, curbing the "fear of missing out" mentality that has anecdotally gripped buyers in many parts of the country.

Still, some housing experts argue government efforts to cool the market should focus broadly on all investors.

"Any policies that should be put in place should just be geared towards investors, period, whether domestic investors or foreign investors," John Pasalis, president of Realosophy Realty in Toronto, previously told Global News.

To discourage buyers from purchasing property only to flip it after a short period and pocket the gain from rapid appreciation, Ottawa could impose a tax on residential real estate sales with the rate gradually falling to zero over five years of holding the property, BMO senior economist Robert Kavcic wrote in a report in March.

"This could easily crowd out speculation and alter market psychology," he wrote.

ALBERTA

City's early real estate review encouraging for home values

An early analysis of Calgary property assessment data offers positive signs for home values, say city officials

Advance preparation of the city's 2022 property assessment roll suggests a significant rebound from a year ago, while home sales continue to topple records.

"This year we are noticing that home sales are heating up along with sale prices," Eddie Lee, the city's acting director of assessment, said in a City of Calgary news release.

Lee said the early review shows sales of detached properties, as of the mandated July 1 cut-off, are up 52 per cent from a year ago, while property values in some suburban communities are more than 10 per cent higher.

The findings are supported by the Calgary Real Estate Board, which recorded 2,915 total home sales in June, a record high for the month and 65 per cent better than a year ago. Monthly sales records were also reached in May and April, with year-to-date sales 127 per cent higher than in 2020.

The sale price of a typical Calgary home in June was $537,200, about one per cent better than May but still 13 per cent higher year over year.

Preliminary findings for non-residential Calgary properties are also showing signs of improvement, with demand for large distribution spaces remaining strong, according to city figures.

"Properties with 100,000 square feet or more of warehouse space increased in value substantially in 2020," its release states. "We are predicting similar market values for 2022, highlighting market stability."

A bump in retail property sales in the first quarter of 2021 suggests assessments in that category could also rise, depending on the property type and location.

Not every category is growing, however.

The value of industrial warehouse space of less than 20,000 square feet is decreasing from a year ago, the data suggests, and continuing high vacancy in Calgary's office market is expected to produce lower assessments in that segment.

Tourism-related properties have also taken a hit.

"While optimism in the hotel sector is increasing with encouraging vaccination rates and the lifting of restrictions, the impacts from the previous 12 months and the global pandemic are a factor," the release states. "We expect to see significant decreases in hotel values heading into 2022."

The city's assessment department, which distributed 12,000 direct information requests to non-residential and multi-residential property owners in April, will continue to collect property data later into 2021. The process will assess the market value of more than 550,000 city properties.

Residential property owners can update their property details using the city's online assessment search at calgary.ca/assessmentsearch.

BRITISH COLUMBIA

It's Dark Days for Affordable Housing. Here Are Some Bright Ideas

The 'Unlocking Doors' expert panel makes strong calls to action deserving attention.

Marc Lee is a senior economist at the Canadian Centre for Policy Alternatives' B.C. office who researches and writes on a variety of economic and social policy issues.

The final report of the Canada-British Columbia Expert Panel on the Future of Housing Supply and Affordability, published in June 2021, contains 23 recommendations made primarily to the B.C. and federal governments. The panel organized these under five broad calls to action:

- Creating a planning framework that proactively encourages housing;

- Reforming fees on property development;
- Expanding the supply of community and affordable housing;
- Improving co-ordination among and within all orders of government; and
- Ensuring more equitable treatment of renters and homeowners.

Just hours after the report's release finance minister (and former housing minister) Selina Robinson rejected one of the report's recommendations to eliminate the Home Owner Grant and to instead direct those funds to support social housing. Currently the Home Owner Grant is a tax expenditure that costs the government $887 million per year. So it is not at all clear whether the panel report will get a serious hearing in Victoria, particularly in areas that challenge affluent homeowners, as any decent affordable housing policy must.

Allowing this to become just another report gathering digital dust on an electronic shelf would be a shame because it contains a lot of interesting ideas. In particular, the panel takes aim at the current planning and approval system for housing at the local government level and calls for the B.C. government to step up in its management of the housing market.

This conversation is particularly important when we overlay affordability with the need to build climate-friendly housing that is higher-density, zero-carbon and close to employment, amenities and shops.

The report only takes us to the water's edge when it comes to the contentious issue of upzoning and is still largely rooted in the dominant market approach to new housing delivery.

Nonetheless, it makes some important contributions, which I discuss below with a focus on Metro Vancouver.

Supply and demand

The panel was restricted to looking at housing supply issues, meaning a number of current affordability challenges associated with housing demand were purposefully left off the table. On top of population and income growth, these demand-side factors boosting housing prices include:

- Record-low interest rates that have enabled borrowers to take on bigger mortgages;
- Financialization, or housing bought as investment (second or third) properties;
- The intergenerational transfer of real estate windfalls to children (the Bank of Mom and Dad);
- Preferential tax treatment of principal residences; and
- Low and declining property taxes as a share of assessed value.

Ultimately, any housing affordability strategy must put emphasis on demand as well as supply measures. The B.C. foreign buyers' tax, higher property transfer taxes and adding higher brackets onto provincial property taxes are examples of demand-side policies, but overall the orientation of federal and provincial governments has been to stoke demand rather than restrict it.

That said, there's merit in looking at the supply side: how much is being built, what type of housing and where. With all of the skyscrapers on the horizon, it might seem that enough housing is already being built. In Metro Vancouver, however, the amount of housing being built relative to population has been relatively low compared to the entire post-war period. The chart below shows that relative to historical norms, Vancouver needs to build more housing. Indeed, if housing starts were at the same share of the population as in the 1960s and 1970s, new units started this year would exceed by more than 5,000 the previous all-time highs of 28,141 starts in 2019 and 27,914 in 2016.

Source: Housing data from Statistics Canada and population data from Macrotrends United Nations dataset.

The panel calls for "a stronger role for housing needs estimates and citywide official plans, which guide how entire communities are expected to grow." Specifically, they note that "an affordability adjustment is necessary to account for past undersupply" because extrapolating from "past trends can 'bake in' persistent undersupply and unaffordability." The panel rightly notes that such assessments should not only be about housing supply in the aggregate and abstract, but what types of housing (rentals, multi-unit buildings) and for whom.

The panel calls for a stronger provincial role to make this happen: "[M]any of the most significant policy levers specifically pertaining to the supply of housing belong to local governments, which, for a number of reasons outlined in this report and elsewhere, face important barriers — notably political — preventing them from making greater progress toward a more abundant housing supply. We therefore believe that it falls on the provincial government, which is ultimately responsible for local governments, to enact many of our most impactful recommendations."

However, its proposed measures are limited to provincial incentives for more density near major transit investments and increased density as a condition for federal and provincial infrastructure funding. The panel generally sidesteps the political challenge of upzoning the vast majority of urban land that is reserved for low-density, detached housing. With the dream of a detached house out of reach for the vast majority of households, at least in Metro Vancouver, the region needs more higher-density "missing middle" options: row housing, multiplexes and small apartment buildings. Here, provincial leadership would also be welcome to overcome the hyper-local politics that stifle housing development to the benefit of existing land owners.

Challenging the current development model

Stories of housing projects painfully winding their way through the local government planning system are well-known, and the panel recommends statutory time limits on the development process. But in contemplating "a planning framework that proactively encourages housing," the panel engages a more fundamental critique of business-as-usual planning processes:

We also recommend reduced reliance on site-by-site public hearings and council approvals that delay homebuilding and amplify the voices of groups opposing new housing at the expense of citywide objectives and affordability.

Currently, adding density is often limited to spot rezonings of development sites, meaning a project must go through a public hearing and be approved by the local council. Spot rezonings thus provide a focal point for neighbourhood opposition, whereas the many citizens who would benefit do not — and cannot realistically be expected to — show up at every separate public hearing. Rezonings also generate community amenity contributions, or CACs — some are flat rate but for larger projects they are usually negotiated behind closed doors with the developer. CACs have become a major source of funds for local governments that allow property taxes to be kept lower.

The panel calls for a phase out of CACs, noting that some of what is currently funded by CACs could be rolled into development cost charges/levies. Overall, such charges, in the panel's view, should be limited to the proportionate impact new growth has on amenities and infrastructure, rather than paying for new amenities that benefit the entire area. However, the panel seems to treat CACs as a cost of building new housing whereas CACs capture for the public good some of the land value increase associated with higher density. This averts windfall profits going to land owners and developers as the final product will sell for whatever the market will bear, not be reduced by the amount of a waived CAC (unless it is a non-profit-led project).

Because only so many rezonings can happen at a time, this system, more insidiously, builds in scarcity of land that can be developed at higher density, keeping land prices high. The system of approvals works well for big developers, but they are time-consuming, drive up land costs and other soft costs for large-scale consolidation and land assembly, marketing and other costs. They also make it hard for non-profits to compete to buy land, and, if anything, create an incentive to build higher-end condos to maximize profits in the face of high land costs.

A step beyond the panel report would be for the B.C. government to step in with a plan to broadly upzone the vast swath of RS (detached housing) zones in Metro Vancouver and elsewhere. As Frances Bula notes, the B.C. government may be willing to step in towards more broad-based upzoning. Getting the province to shoulder some of that policy burden would enhance housing zoning and permitting reforms that seem orphaned at the municipal level.

Broad-based upzoning would also dilute land price pressures compared to the current model of regulated scarcity. With higher density conditionally permitted there would be ample scope for land value capture to ensure all development contributes in cash to housing affordability or in kind through the provision of affordable units.

Public land and property tax reforms

The panel's recommendation that "all orders of government undertake land assembly and provide long-term leases to private and non-profit developers of affordable housing" is a short but powerful acknowledgement of the role that could be played by public land in supporting more widespread housing affordability. The high cost of land is a major barrier to developing affordable housing. The use of city- or government-owned land in support of affordable housing has widespread support across the political spectrum and these efforts should be accelerated.

In addition to using existing public lands, we need a strategy to purchase more public land for an affordable housing build-out and a more coherent land banking/assembly system. The City of Montreal recently passed a policy giving it the right of first refusal to purchase properties put up for sale, with the goal of building more affordable social housing. In the City of Vancouver context, the Vancouver Affordable Housing Agency combined with the new Affordable Housing Endowment Fund have the key ingredients for a more active public sector player.

The panel also calls for a return of senior governments to build new non-profit or community housing, with long-term funding commitments and development of an acquisition fund that would allow non-profits to purchase properties at risk of redevelopment into more expensive units. The panel notes that most of the federal National Housing Strategy money is currently set up as loans for the community housing sector that should instead be replaced with grants.

Beyond the panel's support for more public sector involvement, taxing land value windfalls would be a fair revenue source to buy more public land to new non-market affordable housing development. Land value is created collectively, reflecting what makes a location useful and attractive to people, including large public investments in infrastructure and services for transportation, water, sewer and electricity, as well as amenities like parks, community centres and libraries. This approach could also reduce wealth inequality and ensure that a portion of windfall gains from homeownership help to support an affordable housing agenda.

On the tax front, the panel flags how taxes and subsidies overwhelmingly favour homeowners over renters:

Today, both federal and provincial governments continue to promote homeownership through a combination of direct and indirect subsidies and incentives.... Indeed, the two largest housing subsidies in Canada are the exemption of capital gains tax on primary residences and the non-taxation of imputed rental income.

As noted earlier, the panel's recommendation to phase out the $887 million per year Home Owner Grant (and use those funds instead to fund social housing and other commitments in B.C.'s 10-year housing plan) was quickly dismissed by the B.C. finance minister. This knee-jerk reaction is a strange deference to those with housing wealth and contrasts with the NDP campaign promises in 2017 and 2020 for a renters' rebate for the same ostensible purpose of leveling the playing field between owners and renters.

Fair taxation of property wealth, and in particular windfall gains, is also essential to raising revenues that can be spent on new affordable housing and adding to the much-needed stock of public land. Shifting to higher property taxes and adding brackets to make the system more progressive would also help keep a lid on price increases, make the property tax system fairer to renters and curb the speculation and external investment that drive up prices.

Next steps

A big, bold, affordable housing agenda would be most welcome, and it requires the B.C. and federal governments to step up beyond rhetoric towards more meaningful funding commitments and tax and regulatory changes. The panel's report puts forward an agenda on housing supply that would change the economics and politics of building housing significantly and for the better. A holistic approach should also look at restraining demand, in particular the demand from financialization and the treatment of housing primarily as an investment. Non-market and public approaches would bake in affordability, and these can be done economically as rents paid in the future cover the upfront costs of construction.

Too often the concerns of the already well-off are prioritized when we make housing policy: through preferential tax policies; other measures that keep prices high and rising; and processes that give local residents a much greater political voice when development decisions are being made compared to those who need more housing close to work.

To overcome the status quo, a new coalition for affordable housing is needed to articulate a vision for a build-out of affordable housing at the intersection of upzoning low-density neighbourhoods, adding to the stock of public land, reducing the need for longer commutes, building zero-carbon and energy-efficient buildings and taxing those who've benefited so much from the run-up in housing prices.

NUNAVUT

Charge churches property tax? It's a lot better than burning them

The idea probably wouldn't be popular enough, but it would be a better way to retaliate for residential school wrongs than the current wave of arson

Late last month, the mayor of Iqaluit, Nunavut's capital city, had a bright idea. Kenny Bell had been appalled by the discoveries — or rediscoveries — of hundreds of unmarked graves at former residential schools in the Canadian West. He wondered what he could do, as the non-Indigenous mayor of an Indigenous community, to "help where I can and stand with Indigenous people." Curiously, he didn't decide, as a few others seem to have, that arson was the obvious answer to his question.

Instead, he announced that he intends to introduce a motion at city council to remove the property tax exemption enjoyed by churches in Iqaluit, as they are almost everywhere else in Canada. Bell was quoted by the Nunatsqiaq News as saying that "We're not retaliating against [churches]; they killed literally thousands of children."

One can't help feeling that this semicolon may conceal a desire to, in fact, retaliate against churches. But the loss of the property tax exemption would strike at some churches that were never powerful enough to co-ordinate with the Canadian state in a program of racial assimilation — the city has Baptist and Pentecostal missions, as well as a mosque — and Mayor Bell says he doesn't intend to discriminate among the tax-exempt buildings. The next council meeting takes place on July 13.

The mayor's idea may have been a little impulsive

Now, the mayor's idea may have been a little impulsive. CBC News did not have trouble finding Iqaluit church volunteers who abhor the thought that churches facing new tax bills would lose the ability to provide counselling and addiction services. (Maybe the city could pay for some more of those if there weren't so many tax-exempt buildings around?) Bell brushed off the CBC but mentioned that "many Inuit are happy" with the idea behind his motion; another interviewee, however, said she had spoken to some elders and their reaction was more or less "Welp, the white folks are at it again." Bell admitted in an earlier interview that he had not canvassed fellow councillors to get a sense of how the vote might go.

This doesn't sound, on an overview of the news coverage, like the ideal way to go about what is intended to be a gesture of reconciliation. But, then again, it's not arson. Since Mayor Bell launched his trial balloon, the country has experienced an apparent pogrom against Catholic churches, with two Anglican ones in B.C. joining the party on Canada Day. Most Indigenous spokesmen have denounced the rash of church fires, but it's not hard to find white progressives celebrating them on social media. If you try posting something like "Hey, arson is bad, you guys," you'll probably flush some out in a few seconds.

So why is it that we're having a progressive-led bien-pensant conversation about whether church arsons are good and not a progressive-led bien-pensant conversation about statutory tax exemptions for churches? Is the answer that destructive measures against the crushing dead hand of the church are to be actively preferred to ordinary politics? Is it that taking away the exemptions would be an exercise in democracy, and thereby provides no fuel for the imaginations of pyromaniac cosplay revolutionaries? Is it that changing provincial and municipal statutes might take a great deal of advocacy work, work which might lead to little or nothing, and that it's much easier just to commit a loathsome, possibly murderous crime in the dead of night?

The radical left has mostly not thought ahead that far, and the non-radical left in this country is pretty churchy. It is only atheists per se, whatever their political stripe, who have ever made much noise about the various tax exemptions churches enjoy because of our deep legal tradition. From the militant atheist's point of view, it is readily apparent that the old common-law status of churches as beneficial in themselves, whatever their metaphysical bona fides, is exactly the same attitude that allowed for the creation of state-licensed and church-run residential schools themselves. (These schools sometimes put students to work on lucrative farming operations — a commercial aspect that was politely overlooked for the same reasons.)

Removing the property tax exemption from churches would actually create revenue that could be devoted explicitly to reconciliation-flavoured government programs. The idea probably wouldn't be popular enough to succeed anywhere, any more than it is likely to in Iqaluit. But it ought to be more popular than a wave of arson that the combined efforts of our political class (and police) have failed to stop, and left-wing enthusiasts of reconciliation might be asked why they aren't getting behind Mayor Bell's idea.

Do they still believe that religion is a force for social good in itself? If this is to remain an operating principle of our civilization, in spite of all those unmarked cemeteries, the time to say so would be at a moment when sincere Catholic and Anglican believers are waiting in terror to see whether their church is the next to be added to the great bonfire. As an atheist, I believe churches should be answerable to the law, not excluded from it and subjected to random destruction.

ONTARIO

Small Business Tax Class

The City is looking for feedback on the creation of a small business property tax class in Toronto.

As part of the 2020 provincial budget, municipalities were given the ability to create a small business tax class to provide a lower property tax rate to small businesses in the commercial tax class. City Council, earlier this year, directed City staff to develop the framework for this tax class, which will provide tax relief to Toronto's small businesses.

Purpose of a Small Business Tax Class

Providing tax relief to small businesses is key to a lively, diverse and revitalized city, which is more important than ever given the toll the COVID-19 pandemic and related closures had on businesses this past year. Small businesses have been particularly hard hit, and the creation of a small business tax class provides much-needed relief to our main street shops and businesses post-pandemic.

With the development of a small business property tax class, the following is addressed:

- the preservation and rebuilding of Toronto's Main Streets
- broad tax relief for small businesses
- the need to reduce property taxes for small businesses who have endured increases in property assessments over the last number of years.

Existing Tax Relief

Toronto provides a lower tax rate for the first $1 million of Current Value Assessment (CVA), excluding certain business types (parking lots, shopping centres, office towers)

Capping policies currently provide relief for all businesses. Increases are capped at 10 per cent.

Public Consultation

The City is hosting public consultations to gather feedback on this proposed new tax class.

City staff will be consulting on:

- how a small business will be defined
- how many businesses may be eligible, and what is the total amount to be funded to provide a tax rate reduction
- how will the tax rate reduction be funded
- how will the program be administered

Consultation Details

The City will be hosting the following pubic virtual consultations:

- August 10 from 10 a.m. to 12 p.m. Link to WebEx Opens in new window
- August 11 from 1 to 3 p.m. Link to WebEx Opens in new window

If you would like to submit your question in advance of the session, please email RSPolicy@toronto.ca.

Survey

Alternatively, all residents of Toronto may provide feedback through this survey Opens in new window.

Regulations

Regulations enacted on May 7, 2021

- Reg. 331/21 (amending O. Reg. 282/98 under the Assessment Act) establishes the optional small business property subclass
- Reg. 332/21 (amending O. Reg. 73/03 under the Municipal Act) sets the maximum municipal reduction factor at 35 per cent.

Review of Ontario property tax system more urgent than ever after COVID-19

A new report by the Ontario Chamber of Commerce says an overhaul of property taxes and more municipal autonomy will be key to Ontario's recovery from COVID-19.

The report, titled "Better Budgets: Bolstering the Fiscal Resilience of Ontario's Municipalities," calls for a review of the province's property tax assessment system, new provincial and federal transfers, increased financial accountability for Ontario municipalities, and 11 other recommendations.

As Ontario reopens, hopefully for the last time, the economic recovery is top of mind. The OCC's report argues that there are long-term and short-term changes to be made that will help spur the recovery and support the province's economic competitiveness in a post-COVID-19 world.

Co-author and OCC senior policy manager Claudia Dessanti said the report was initially supposed to come out in early 2020. The issues it addresses, especially property taxes, have been in discussion for years, she said.

But when the pandemic hit, the report had to be revised, as both the present and the future of Ontario's economy were under pressure.

"The challenges are long standing but exacerbated by COVID," Dessanti said.

The provincial government recently took a step in the right direction, said Dessanti: its 2020 budget saw a standardization and reduction of Business Education Tax rates effective January 2021.

But the OCC isn't just asking for a few changes, it is recommending a complete review of the entire system, she said.

The report calls for tax assessments, which were already postponed by a year due to the pandemic, to be paused "until a more equitable and efficient property tax regime can be established."

Among the tax-related recommendations is a call to eliminate the provincial share of non-residential property taxes to give both businesses and municipal governments some relief and "room to manoeuvre."

"What that share does is it eats into municipalities' ability to adjust the rate as needed to respond to pressures like COVID-19," said Dessanti.

The report argues that an overreliance on non-residential tax revenue is a threat to the financial sustainability of a municipality: "The increasing responsibilities of municipalities demand not only a diverse mix within the tax base, but also a balance in revenue sources so residents can live and work in a community for the long term."

The report also calls for the tax assessment system to be altered away from what's known as "highest and best use," or HABU. This system means that properties are assessed based on their potential value, often leaving small businesses with the property tax bill of a condo tower, for example.

"This really impacts small businesses, especially in communities that are facing a hot real estate market," said Dessanti. "We're looking for an approach to property tax assessments that is more dynamic and is based on both need and capacity to pay."

Many of the recommendations in the report are long-term changes, noted Dessanti, especially the review of the property tax system. But some of them are in the shorter term and could help boost Ontario's economic recovery from the pandemic.

For example, the report recommends reviewing and increasing transfers from the federal and provincial governments to help tide municipalities over as their businesses recover. It also recommends more frequent property tax assessments to avoid large hikes, and expediting the appeals process for assessments.

It also recommends implementing a "pay for say" principle, meaning that if a level of government has input into a particular service, it also has to help fund that service.

The report is also concerned with the autonomy of municipalities, and with collaboration among them. To increase transparency and accessibility, it recommends that municipal governments present modified accrual budgets at the end of each year, which would improve financial reporting and show how a government is faring in comparison to its original calculations.

The report's recommendations are even more important in the context of the economic recovery from COVID-19, said Dessanti.

One recommendation addresses the Municipal Accommodation Tax created in 2017, which is meant to help grow Ontario's tourism industry, struggling after a year and a half of the pandemic. The report recommends implementing a formal rate change process on the tax, which is currently uncapped and nonvoluntary, and also recommends improving accountability regarding how the tax funds are used to make sure they go back into the tourism industry.

The larger the city, the larger the impact on the municipal budget by COVID-19, the report states, giving Toronto as an example — the city had a $1.7-billion gap between its projected 2020 budget and the reality.

Omar Raza, senior manager at report partner KPMG, said Toronto and other Canadian cities already have some competitive advantages over top American cities, especially in terms of labour costs and taxes. The report's recommendations regarding taxes have the potential to increase these advantages, he said.

"Tax competitiveness is a leading characteristic of the GTA marketplace," he said.

Dessanti said with the provincial election approaching in less than a year, many voters will have property taxes top of mind.

Homeowners issued 'unsafe orders' in tornado zone could receive property tax credit

The City of Barrie continues to support residents affected by the tornado last week. Below is the latest information and resources to assist residents with recovery.

Homes that have Unsafe Orders may receive a credit for a portion of the 2021 property taxes, following an adjustment to the assessed value of the property as calculated by MPAC. The city's finance department will reach out to the affected residents directly. As residents begin to rebuild, the city will waive all building permit fees for homes affected by the tornado.

Today, representatives from the province toured the tornado recovery site to determine if Barrie qualifies for Ontario Disaster Relief Assistance. Once the city has more details, it will be shared at barrie.ca/TornadoRecovery.

Barrie & District Association of Realtors is working with the Red Cross to match short-term rentals with families who have been displaced by the tornado. Please email info@bdar.ca for assistance.

Service Ontario is offering the replacement of select documentation for those affected by the tornado. Please bring any identification or documentation that you may have available to prove ownership (e.g. licence plate number, insurance, Vehicle Identification Number) or application (e.g. account access) to a Service Ontario location. If you have no documentation, please go to a Service Ontario location and they will do their best to assist you.

Tree chipping in the tornado recovery area will occur on Monday, July 26 and Tuesday, July 27. Residents are asked to bring tree debris to the curb by 7 a.m. on Monday, July 26. The contractor will only be able to remove tree debris that is at the curb.

The city is asking residents from other parts of the city to not tour the tornado recovery area, so those affected can clean up their properties.

Reminder: Tomorrow (July 22), curbside collection will occur in the tornado recovery area. This week is recycling pick-up for residents in this area; however, the city's curbside collection contractor will assist in picking up bagged garbage (that meets weight criteria) at the curb. For affected residents, fees will be waived at the landfill until July 23. Affected residents are encouraged to continue to use the large public bins located in the area or along the park frontage of Coronation Parkway. The city plans to remove these bins on Monday, July 26.

Toronto city council approves implementation plan for vacant home tax

Toronto City Council approved Thursday a plan for the implementation of a new tax on the city's vacant homes starting in 2022.

A 'vacant' home is one that has been unoccupied for more than six months during the last calendar year, or it is deemed to be vacant under the new by-law, says the city.

According to the city, the decision is meant to "help with the availability and affordability of housing stock on the market" and could generate between $55 to $66 million in tax revenue per year.

There are some exceptions to what is considered vacant, including the death of the owner, homes under renovations, snowbirds' homes or homes where the owner is in medical care.

As part of the plan, property owners will be required to declare the status of their residential home each year, determining the home's occupancy status and whether the tax is payable. This will be available to be done online or via mail. The responsibility to declare a property is on the owner, says the city.

The initial tax rate will be set at one per cent of the property's current value assessment (CVA) for the year in which the home is vacant.

The city says a final report and tax bylaw will be prepared for Council's review by the end of 2021.

A bylaw supporting this tax will come into effect on January 1, 2022 and that date will also become the start of the first tax reference year.

"I'm happy to see Council approved a vacant home tax today," Mayor John Tory said in a release issued by the city on the decision.

"While a majority of Toronto property owners will not pay this tax, the benefits will be felt across the city by increasing the availability and affordability of housing supply."

Toronto's proposed 1% vacant home tax gets thumbs up from TRREB

A 1% vacant home tax got approval from Mayor John Tory's executive committee last week and will be considered by city council this week.

If approved, the new levy on vacant Toronto homes would start in January 2022.

We spoke with TRREB (Toronto Regional Real Estate Board) President Kevin Crigger to get his thoughts on the tax.

Is TRREB supporting this new tax?

TRREB's always been really supportive of evidence-based approaches to increasing housing supply. And, as such, we've been supportive of an evidence-based approach to this vacant home tax. It's been implemented in other jurisdictions (including Vancouver starting in 2018 where it started at 1% and is now 3%), it encourages properties to enter the market for lease or for sale, both of which obviously, are in short supply in Toronto.

Any words of caution?

The city shouldn't look as the tax as a revenue tool (city staff estimated if 1% of Toronto's housing stock is vacant, the levy could yield between $55 million and $66 million annually) but more as a means to increase supply in the market. Ultimately, the lower the revenue secured from the vacant home tax, the more effective the tax will have been because the goal obviously is to bring properties to market. TREBB was actively consulted throughout the process, and we really appreciate the opportunity to provide advice from the grassroots and through the process we were able to highlight a number of required exemptions to ensure there were no unforseen consequences in the implementation of the vacant home tax.

What impact will the tax have on real estate prices in Toronto?

Toronto is very much a supply-starved market. We've seen that time and again and certainly the amount of time it takes to bring new product to market is lengthy and there's a lot of red tape involved in the process, so this should fairly quickly bring some product to market. So any supply is more than welcome.

What's the next step?

The broader conversation really goes to supply. Most of, if not all, of the sort of proposed changes over the last number of years have really been attempts to artificially suppress demand so looking at things that have come from the province (foreign buyer tax, land transfer tax), even some elements from the city (second land transfer tax), and nothing's really been done, other than this as a first initiative, to bolster supply. So the one thing the last number of years should have taught politicians is that you can try to sort of artificially suppress demand, but unless someone takes a really wide-ranging approach to increase supply, we're going to end up right back where we started.

Still unanswered questions as Toronto prepares for vacant home tax

Set to begin Jan. 1, the levy could generate $55-$66 million per year

This week it was confirmed that the city of Toronto would be moving forward with the proposed tax on vacant homes beginning on January 1st, 2022.

Back in December when Mayor John Tory formally voiced his support for such a measure, it was put forward as a mechanism by which to address the housing shortage in the city.

Piggybacking off of the success of a similar tax in Vancouver, another Canadian city besieged by an excruciatingly tight and unaffordable housing market, such a tax will function as a penalty to owners who opt to leave their properties vacant, thereby incentivizing them to live in them, renovate them, sell them, or offer them up on the rental market.

“The goal of the tax is to change the behaviours of vacant home homeowners, encouraging them to sell or rent out the homes, thereby increasing the housing supply,” the city said in a news release.

The initial tax rate being proposed is 1% of the property’s current value assessment (CVA) for the year in which the home is vacant.

Homeowners would be asked to self-declare the residential status of their home, and any property left vacant more than six months of the year would be subject to the levy.

Based on a 1% vacancy rate, some estimates suggest that the proposed tax could generate $55-$66 million per year in much-needed revenue that the city can put towards affordable housing initiatives.

And looking to Vancouver, where the vacancy tax has shown a 25% reduction of empty homes while generating tens of millions in additional revenue, it very well could work to beef up our rental housing supply.

In the case of Vancouver, CMHC estimates that since implementation in 2018, the tax in combination with other market forces has helped bring 5,000 condos onto the rental market.

In Toronto where bidding wars on rentals are back again, this would be welcome relief to would-be renters, particularly now that lockdown restrictions are lifting and borders will soon be reopened — we shall soon also have to face the covid-related backlog of students and those relocating for jobs.

In sum: if we think the rental market is tight now, just wait until the world opens back up again.

There are already many questions.

What about the snowbirds? People with cottages and ski chalets? If the criteria for the tax is six months of vacancy, is that the cumulative total number of days per year or consecutive? In the country or abroad? And how about the investor-owners who prefer the flexibility of offering their investment properties on the short-term rental market? What if you have inherited a property and are waiting for probate?

See? Questions. So many questions.

It’s early days still – and there is much that will need to be ironed out when it comes to the finer points of implementation and exemption.

But broadly speaking, even if this tax doesn’t actually hurt enough to incentivize every investor owner to convert their property to a rental – and I suspect that at 1% it probably won’t — at a minimum it will add another layer of expense to foreign buyers looking to park their money in vacant Canadian real estate, while generating some much-needed revenue to fund solutions to our affordable housing crisis.

I still don’t see the downside

Toronto one step closer to taxing vacant homes after mayor's executive committee vote

But committee defers considering a luxury home tax until next year

The City of Toronto is on track to begin taxing vacant properties to try to stop real estate speculators from buying up homes and letting them sit empty while residents struggle to find affordable housing.

Mayor John Tory's executive committee unanimously supported a city staff recommendation Tuesday to implement a one per cent vacant home tax starting Jan. 1, 2022. The proposal will go to council for approval next week and then undergo public consultations.

The vacant home tax mirrors the one Vancouver put in place in 2018 to address a housing crisis and low vacancy rates. Councillors there pushed the rate to three per cent last fall after determining the tax pushed 5,000 condo units on to the rental market in 2019 and reduced the number of empty homes by 25 per cent.

Based on Vancouver's experience, Toronto city staff estimate a vacant home tax will generate between $55 million and $66 million per year that the city would use to fund affordable housing projects, according to a staff report to the executive committee.

Staff hope the tax would also compel property buyers planning to leave homes empty to live there themselves or rent units out.

1% tax 'a joke'

But at least one housing advocate thinks the proposed tax is set too low. Emily Johnson told councillors that the home vacancy tax has the potential to be both an effective revenue tool to fund housing projects and stop speculative real estate investing. But she said it needs to start at three per cent.

"People with the capital to buy and sit on properties like this and leave them vacant for their own purposes can afford a three-per-cent tax," Johnson said. "One per cent is not a disincentive. One per cent is, frankly, a joke."

Heather Taylor, the city's chief financial officer and treasurer, said Toronto wants to follow Vancouver's lead by "easing its way into the tax to give residents the opportunity to correct vacancies they're experiencing."

But Johnson said Toronto doesn't have time to wait, pointing to her own living situation as an example.

She has a stable, full-time job in a rent controlled apartment and still pays more than she can afford. When she leaves the city to pursue a master's degree, she said she won't be able to afford moving back in the future.

"I say this as a person with a great deal of privilege," Johnson said. "This is to say nothing of people with low wage or precarious employment, with families to support, on social assistance, or trying to find their way back into stable housing after experiencing homelessness."

City considering luxury home tax

The pandemic has driven up rental apartment vacancy rates to a 50-year high, a survey from January found. Urbanation reported that 5.7 per cent of rental apartment units were vacant in the fourth quarter of last year, compared to 1.1 per cent in the same quarter of 2019.

However, the consulting firm predicted the city will revert back to low vacancy rates as the pandemic continues to wane, with people getting vaccinated and returning to offices and schools.

And while rents have gotten cheaper, they're still too expensive for low-income tenants, advocates say. The median rental price for a one-bedroom sits as $1,800 as of June, according to PadMapper.

The executive committee also considered a study by city staff for a luxury home tax, which it punted to the 2022 budget process for further consideration. Owners of homes valued over $2 million would face an increased municipal land transfer tax up to three to four per cent from the current 2.5 per cent.

Mayor John Tory said "it's not the time" to be changing tax policies until the economic impacts of the pandemic lockdowns are better understood, even if the housing market has remained "relatively healthy."

"I think you have to take great care when it comes to imposing additional burdens on people," the mayor told the committee.

Staff estimate that depending on how the land transfer tax is structured, it could generate up to $30 million more a year in revenue for affordable housing projects. The risk is homeowners would hold off on upgrading to luxury homes, tightening the supply of "mid-value" homes, the report said.

Given that the average detached house price in Toronto was $1.5 million in 2020, the tax will predominately target homeowners who aren't "uber rich," the Toronto Real Estate Board's Kevin Crigger told the committee.

The tax increase would have "a direct dampening effect" on housing supply, he said.

Toronto will soon tax vacant homes, but it's not enough to stem the rental crisis

Housing advocates argue the experience in Vancouver shows Toronto's new tax is not high enough to make speculators turn vacant housing into much-needed rental accommodation

For too long, Toronto has allowed real estate speculators to buy up the city's housing stock and leave it vacant, even as renters struggle to find affordable housing. The city's new vacant homes tax, which is set to be voted on next week, offers an important opportunity to address this problem by pressuring speculators to turn their vacant units into a rental accommodation.

Estimates of how much vacant housing is left in Toronto are imprecise. The city has yet to begin monitoring them. But a recent report by city staff suggests that between 9,000 and 27,000 housing units could be sitting vacant. That estimate is based on low water consumption levels at the addresses. But this estimate doesn't include condo buildings.

In a now-famous independent study, Toronto resident Jaco Joubert used light-detecting camera technology to investigate vacancy rates in apartment buildings (most of which were condos) and found an average of 5.6 per cent of units were vacant. His research revealed the vacancy rate in some buildings as high as 13 per cent.

But even if we take the city's lowest estimate of how many units are sitting vacant, that's enough housing to provide a home for every person in a Toronto shelter population and encampment.

In the midst of an affordable housing crisis, it's unacceptable for so many homes to be treated as locked safety deposit boxes. We need a policy with teeth to make house hoarding untenable.

Housing advocates have been campaigning for a consequential vacant homes tax but they're concerned that Toronto's proposal – 1 per cent of a vacant home's value collected annually – won't be enough to act as an incentive.

In many areas of Toronto, house prices have doubled over the past five years alone. The tax should be significantly higher than 1 per cent if the city intends for this policy to do more to persuade the majority of vacant homeowners to list their properties for rent.

This is a lesson that Vancouver has learned the hard way.

Vancouver introduced its 1 per cent vacant homes tax in 2018. The policy has certainly been effective in collecting revenue — more than $60 million in three years, all of which has been dedicated to supporting affordable housing initiatives.

However, the policy has made limited progress in persuading owners of vacant properties to place them on the rental market. Vancouver has experienced a 25 per cent decline in vacant properties since 2017. Many renters remain in crisis.

In the context of a homelessness emergency and affordable rental housing crisis much like Toronto's, Vancouver's Mayor, Kennedy Stewart convinced council to triple the tax to 3 per cent in 2020. The change has helped move thousands of homes back onto the rental market, but as Stewart explained, "there are still too many homes that remain empty."

Toronto has an opportunity to act decisively right now. For far too many, there's no time to lose. Toronto should send speculators a message they can't ignore — houses are for living in, not financial speculation.

Toronto's own report indicates that a 3 per cent tax could generate upwards of $190 million annually for affordable housing initiatives. But most importantly, a strong vacant homes tax will ensure the tax achieves its goal: no longer needing to be collected because every house will be a home.

A vacant homes tax is not a silver bullet to Toronto's housing crisis. But it offers one of a number of important tools that Toronto could be using to make access to adequate housing a reality. Also needed is much more investment in social housing, real rent control and a strong Inclusionary Zoning policy that requires 20-30 per cent of new residential high rises to be permanently affordable rental housing.

The City has made real strides in recent years towards supporting the expansion of affordable housing. But with the waiting list for social housing eclipsing 81,000 and 11per cent of renters in arrears due to pandemic-related loss of income, far more needs to be done to address a relentless homelessness emergency.

Jeremy Withers is a Ph.D. candidate and the outreach coordinator for the Affordable Housing Challenge Project at the School of Cities, University of Toronto. Saman Tabasinejad is a project manager with Progress Toronto.

SASKATCHEWAN

Saskatoon city councillors look into property tax solutions for hard-hit businesses

City councillors say they would like to find ways to help cash-strapped businesses in Saskatoon that were hit by large property tax increases this year.

In June, businesses in the Riversdale neighbourhood gathered together to speak out after a massive spike in their property value assessments.

One business owner complained his property's value jumped from $350,000 to $600,000, meaning his property tax increased by roughly $7,000 per year.

Now, city councillors are asking administration to look at ways city hall can help mitigate the impact.

"We need to lessen the hurt and the pain as much as possible," said councillor David Kirton. "We also need to let this appeals process work its way out."

Councillors voted in favour of Kirton's motion, which asked that administration report back on whether affected businesses could appeal the assessment hike in January 2022.

Many businesses said they missed the 60-day assessment appeal deadline. Some said the notice was confusing and did not clarify the amount their property tax would be increasing by, while others said that they did not receive the notice from the city as it was given to their landlord.

Kirton's motion also asked administration to look into the costs and possibility of reducing the penalty for non-payment of property taxes by half for any businesses whose assessment rose by 70 per cent or more.

Pandemic problems

Councillors heard that property values of businesses were driven down by the COVID-19 pandemic, but that taxes were based on an assessment of the property's value on Jan. 1, 2019.

As a result, many businesses are being taxed at a much higher rate than their income can support.

"So many businesses have been hanging on by a thread," said Randy Pshebylo, executive director of the Riversdale Business Improvement District (RBID).

"There have been some forced closures, there have been restrictions that have been crippling for the way they operate."

Councillors are asking for the province to shrink down the assessment period from four years to every two years. That way, large jumps in the assessed values would be levelled out.

Mayor Charlie Clark recommended the idea be brought to the Saskatchewan Urban Municipalities Association (SUMA) as well as the group's City Mayors' Caucus as a way to get the issue moved forward.

While rural communities have been against changing their assessment timelines, Clark said many urban centres across the province have been running into similar assessment problems.

"The ability to make change cannot happen through one city," he said.

"You need a co-ordinated approach."

Councillor Darren Hill asked administration to report back on a permanent four-year phase-in policy for any assessment.

All of the recommendations were approved unanimously.

Administration is set to prepare a report on the issue for the next governance and priorities meeting in August. Any formal bylaw changes would have to be approved at Saskatoon city council.