

Mayor Guthrie and Members of Council:

Why are we concerned about an average of 16 demolitions a year, but not concerned about the 275 homes sitting vacant that the Mayor says were identified via an independent water and electricity usage study?

Property owners face \$50,000 fines for an illegal demolition, or a \$20,000 fine for not rebuilding in a timely manner after a legal demolition, but if you allow your property to fall apart via neglect, it's a freebie!

At the end of the day, what is the difference between a house being demolished and not rebuilt for 15 years, or sitting vacant for 15 years? Under either scenario, it is lost as part of the functioning housing stock.

Please take a look at the attached photos of #33 and #35 Wellington St. W. The window in #33 has been open for weeks, so rain and rodents can enter freely. #33 is clearly vacant, my guess is that #35 is also. Given the location of these houses, my guess is that the properties have been acquired as part of speculative land assembly and are sitting vacant.

The Demolition Control By-law recognizes that housing is a community asset and owners cannot simply do what they want with their own property.

We need action via a Vacancy Tax on "demolition by neglect" and removal of housing stock from the City's inventory via speculative vacancies.

Please take a look at the alternative Vacancy Tax report I have written attached to this email.

Sincerely,

Susan Watson







Vacant Homes Tax report

Prepared for “Get Involved Guelph”
By Susan Watson
March 15, 2024

What is a Vacant Homes Tax?

A Vacant Homes Tax or “Vacancy Tax” is a special tax imposed on a residential property left vacant for an extended period of time, usually more than 6 months. The goal of the tax is to encourage property owners to rent or sell vacant properties, thereby increasing the housing supply. If property owners choose to keep their properties vacant and pay the tax, this can generate revenue for creative solutions for housing and homelessness. A vacancy tax recognizes the financial, environmental and social impacts of vacant housing on the broader community.

How does a Vacancy Tax work:

In some municipalities, all property owners are required to submit an annual declaration whether their property is occupied, or not.

In the City of Windsor, the Vacancy Tax will be based on a reporting system with citizens identifying vacant homes in their neighbourhood:

<https://windsorstar.com/news/local-news/windsor-council-votes-for-city-tax-on-vacant-homes>

There are fines for submitting false information which can be around \$2,500 - \$3,500. Vacancy taxes in Ontario currently range from 1 % to 3% of assessed value annually.

What role does the Province play?

The Ford government introduced “Ontario’s Fair Housing Plan” on April 22, 2017. One of its measures empowered municipalities to enact Vacancy Tax bylaws. Guelph’s report on a Vacancy Tax says: *The only constants are that a VHT should “encourage” owners who are not living in properties they own to rent them out, and secondly, that whatever plan, it must be approved by the Minister of Finance.*

Apparently, so far, the Province has approved Vacancy Taxes where any surplus from the operating costs will be used for affordable housing.

What role do the Feds play?

The Federal Government implemented an Underused Housing Tax on January 1, 2022:

<https://www.canada.ca/en/services/taxes/excise-taxes-duties-and-levies/underused-housing-tax.html>

Affected residential property owners have until April 30, 2024 to file their returns and pay the 1% annual tax.

Why are Vacancy Taxes needed?

The “financialization of housing” is both a global and Canadian trend. A UN report on the subject states the following:

Housing and real estate markets worldwide have been transformed by global capital markets and financial excess. Known as the financialization of housing, the phenomenon occurs when housing is treated as a commodity—a vehicle for wealth and investment—rather than a social good.

<https://www.ohchr.org/en/special-procedures/sr-housing/financialization-housing>

When someone views a house or apartment only an investment, not a place to live, they may choose to simply leave it vacant and allow the value to appreciate, in the same way they might have a gold bar sitting in a safe. UN Special Rapporteur on Housing, Leilani Farha says the following:

I believe there’s a huge difference between housing as a commodity and gold as a commodity. Gold is not a human right, housing is.

TVOntario co-produced an excellent documentary featuring Leilani Farha called “Push”. The film documents the toxic impact of the financialization of housing worldwide. It can be streamed for free at this link:

<https://www.tvo.org/video/documentaries/push-feature-version>

You can read about the financialization of housing in Canada here:

A Primer on Financialization of Housing in Canada:

<https://housingrightscanada.com/a-primer-on-financialization-of-housing-in-canada/>

In January of 2022, a Guelph Mercury article covered Statistics Canada data that revealed that 1 in 5 Guelph homes are owned by someone not living in it. The data doesn’t give details if the home is vacant, rented out, or used as a secondary home.

1 in 5 Guelph homes owned by someone not living in it.

<https://www.guelphmercury.com/news-story/10559478-1-in-5-guelph-homes-owned-by-someone-not-living-in-it/>

The impact of vacant homes on a community has been well-examined in Vancouver:

The Problem with Vacant Homes Amidst Vancouver’s Real-Estate Boom:

<https://www.theglobeandmail.com/real-estate/the-problem-with-vacant-homes-amid-vancouver-real-estate-boom/article20945702/>

One citizen researcher in Toronto documented that 5.6% of condos in 15 buildings he monitored were sitting empty:

How many condos are sitting empty in Toronto? One man investigated and what he found surprised him.

https://www.thestar.com/news/gta/how-many-condos-are-sitting-empty-in-toronto-one-man-investigated-and-what-he-found/article_cdeda6ef-4dfc-5782-9f1c-c254bee27bc1.html

Globe and Mail: Vacant homes are on the rise in Toronto census indicator suggests:

<https://www.theglobeandmail.com/business/article-vacant-homes-are-on-the-rise-in-toronto-census-indicator-suggests/>

Do Ontario citizens support vacancy taxes?

According to public consultation conducted in Windsor, 75% of citizens who responded to the city survey supported a vacancy tax:

<https://www.cbc.ca/news/canada/windsor/windsor-home-tax-vacant-1.7041651#:~:text=The%20tax%20will%20apply%20at,combat%20the%20city's%20housing%20shortage>

The City of Ottawa encountered some pushback on the methods it used to conduct a random audit of homes, however the article does not reveal a concern with either the basic premise of the tax, or filling out the initial self-declaration:

<https://ottawacitizen.com/news/local-news/deachman-city-of-ottawa-meets-its-match-over-tax-audit>

Guelph has the discretion to decide if or how it might audit self-declared occupancy.

The best house is the one that is already built!

Mike Moffat of the Smart Prosperity institute was a special guest of Guelph City Council in February of 2023. He told Council that “the best house is the one that is already built.” In this case, he was referring to seniors (including his own parents) who are over-housed in multi-bedroom detached houses because there are few appropriate options for them to move to. Moffat encouraged Council to strategize ways to “optimize” housing by creating alternatives for over-housed seniors and creating movement in the housing market.

A Vacancy Tax is another way to optimize the existing housing stock. This is extremely important, especially given the multiple challenges in getting new housing built, including the current labour shortage. Housing that already exists is not impacted by labour shortages, interest rates or supply chain disruptions. Vacancy Taxes can activate housing that has simply been dormant and are the quickest way to add to the housing supply.

Why should the government dictate what I can do with my private property?

Citizens in Ontario municipalities are forced to make significant investments in new housing via the Development Charges Act. Since 1997, everyday Ontarians have contributed billions of dollars for housing they don't even live in. Under Bill 23, in Guelph, this could now add up to more than \$85,000 of public funding per single detached house via property taxes and water and wastewater fees.

Given this massive public subsidy of new housing, it is in the interest of all residents to optimize the use of existing housing before new housing is built. Empty homes also have environmental and social impacts.

A good parallel situation to look at is Ontario's Farm Property Class Tax Rate Program: <https://www.ontario.ca/page/farm-property-class-tax-rate-program>

The intent of this program is to support agriculture by keeping farmland in production. If someone buys a farm property and uses it for its intended purpose, they only pay ¼ of the taxes on the farmland that they would pay if it was taken out of circulation. If a 100-hectare farm essentially becomes someone's 100-hectare personal garden, then they pay full municipal taxes, as if the whole property is for residential use.

A Vacancy Tax is a similar concept. If a house or apartment is used for its intended purpose – to house people in the community, then the owner pays the regular tax rate. If the housing is taken out of use and is vacant simply for financial speculation, then the owner pays an additional levy of 1% - 3% to offset the negative impacts and costs for the broader community.

Guelph has a demolition control by-law. The intent of this By-law is “*to retain the existing stock of residential units and former residential buildings in the City of Guelph*”: <https://guelph.ca/wp-content/uploads/DemolitionControlBylaw.pdf>

It would be logical to assume that the intent of the Demolition Control By-law is to retain housing stock *so it can be lived in*.

At a certain point, there is no practical difference between a demolished house and a long-term vacant house. There is a detached house on Glasgow St. which has been vacant for almost 15 years. While the building may still be standing, it is completely unavailable to the community as functioning “housing stock”.

The City of Guelph is currently reviewing its Demolition Control By-law based on 337 demolitions over more than 20 years. That averages only 16 demolitions per year. More than 16 vacant homes were identified in the inventory compiled by Danny Drew. A Vacancy Tax deserves the same attention as a Demolition Control By-law.

Leaving a building vacant often leads to “demolition by neglect”. Given that the fine for illegally demolishing a house is \$50,000, or not replacing it in a timely manner triggers a

\$20,000 fine, why wouldn't speculators opt for demolition by neglect? There needs to be a financial disincentive for leaving a building vacant via a Vacancy Tax.

Property standards in Guelph for vacant buildings seem to be poorly enforced. It's worth noting that the City of Hamilton has a vacant building registry:

<https://www.hamilton.ca/home-neighbourhood/house-home/property/vacant-buildings-registry>

Owners of vacant properties in Hamilton are required to register their buildings at a cost of \$314, and then pay a yearly inspection fee of \$786, plus HST. Registration initiates quarterly exterior inspections of the vacant building by the City. Failure to comply with the By-law can bring fines of \$10,000 for an individual and \$50,000 for a corporation.

Won't a Vacancy Tax chase away investors?

Page 3 of the City's report on the Vacancy Tax contains the following quote:

"...there is also a possibility that should the City implement a VHT and none of its adjoining or competing jurisdictions follow suit, it could well result in a flight of capital from the City as real estate investors flee to other markets that have fewer (or no) restrictions on such investments."

This is a completely unexamined assumption. Is capital investment in Guelph from real estate investors actually a good thing, or is it driving up the cost of living for people who actually live and work here?

Council needs to get clear on whether or not it sees its role as maximizing profits for property owners and investors or working towards affordability for a majority of citizens.

The financialization of housing has had a toxic and corrosive impact on cities around the world. In fact, a key reason to implement a Vacancy Tax would be to send a clear message that this kind of "investment" is not welcome in Guelph.

I think it is more accurate to think in terms of real estate "extractors", rather than real estate "investors". These people are not creating wealth, they are taking wealth. Shelter is a fundamental need, and tenants are being gouged to generate profits.

Sault Ste. Marie has had a nightmare experience with corporate landlords who are now filing for bankruptcy protection with debts of \$144 million:

<https://www.cbc.ca/news/canada/hamilton/investors-bankruptcy-protection-1.7108994>

In Sault Ste. Marie, this web of corporations owns 1% of the housing stock. Here's what that City's mayor had to say:

“Almost half the homes they own in Sault Ste Marie are in an "unsalvageable" state of disrepair and sit vacant, Shoemaker said. They've fought the city on property standard and fire code violations, and owe \$645,000 in unpaid taxes, say the court documents.

"I think our community will be better off if the assets that they own in Sault Ste. Marie end up in the hands of other landlords, preferably local landlords," Shoemaker said."

This is the last thing we need in Guelph and we need to send a clear message that anyone who buys housing here needs to keep it in a good state of repair and make it available to house people who live and work in the City.

Core Development Group has already set its sights on Guelph to add to its portfolio of single family homes: *Condo Developer to Buy \$1 Billion Worth of Single Family Houses in Canada for Rentals*: <https://www.theglobeandmail.com/business/article-condo-developer-to-buy-1-billion-worth-of-single-family-houses-in/>

Anti-poverty groups are extremely alarmed: *"Very Frightening Plan" by Developer to Buy \$1 B in homes will price renters out: Anti-Poverty Group*
<https://www.cbc.ca/news/canada/london/toronto-developer-buying-homes-anti-poverty-group-1.6066903>

Is this why Guelphites are paying an extra \$23 million annually to cover Development Charge shortfalls, so we can subsidize purchases for these “investors”?

It is worth noting that a bill was introduced in the American House and Senate in December, 2023, to ban corporations from owning single-family homes.

New Legislation Proposes to Take Wall Street out of the Housing Market:

<https://www.nytimes.com/2023/12/06/realestate/wall-street-housing-market.html>

“You have created a situation where ordinary Americans aren't bidding against other families, they're bidding against the billionaires of America for these houses,” said Senator Jeff Merkley of Oregon, who introduced the bill with Representative Adam Smith of Washington. “And it's driving up rents and it's driving up the home prices.”

In the absence of similar Canadian legislation at the Federal level, a Vacancy Tax is one method to provide some measure of protection for our community.

In year 5 of BC's Provincial Speculation and Vacancy tax, "83% of the revenue comes from foreign owners, untaxed worldwide earners, Canadians living outside B.C. and "other" non-B.C. resident owners"

<https://www2.gov.bc.ca/gov/content/taxes/speculation-vacancy-tax>

What if my house is vacant for a legitimate reason?

New Vacancy Taxes in other Ontario municipalities generally have a list of exemptions for properties that are vacant because they are being renovated, or because the owner has died or is in hospital or long-term-care.

You can read about the list of exemptions Toronto has for their Vacant Home Tax at this link: <https://www.toronto.ca/services-payments/property-taxes-utilities/vacant-home-tax/>

History of a Vacancy Tax in Guelph:

A Vacancy Tax was an issue in the 2022 municipal election. Mayoral candidate, Danny Drew, identified and catalogued dozens of vacant houses in the downtown, simply through word of mouth. There were 6 or 7 vacant properties on Oliver St., in the Ward, alone. Danny challenged other candidates to commit to a vacancy tax. In all, 6 Councillors were elected who committed to either pursue or investigate a vacancy tax: Erin Caton, Ward 1, Carly Klassen and Rodrigo Goller, Ward 2, Phil Allt and Michele Richardson, Ward 3 and Leanne Caron, Ward 5.

Which other municipalities have adopted Vacancy Taxes?

Four municipalities in Ontario have implemented vacancy taxes: Toronto, Ottawa, Windsor and Hamilton.

City of Kitchener staff recommended against pursuing a vacancy tax, but there were serious flaws with their report. The only metric of success was whether or not revenue would be generated, not whether or not people would be housed by housing stock coming back into the sale or rental market.

Another key error is that Kitchener staff failed to account not just for potential money generated, but money saved by not having to spend public dollars on infrastructure for new homes.

<https://pub-kitchener.escribemeetings.com/filestream.ashx?DocumentId=5830>

The Triple Bottom Line: Financial, Environmental, Social.

Financial: Costs, savings and revenue:

Costs:

The operating costs of a Vacancy Tax will depend on how the tax is run and how aggressive a municipality chooses to be with audits, enforcement and ensuing appeals.

The City of Windsor is running their new Vacancy Tax on a reporting basis rather than having owners fill out a declaration. They are hiring two new FTEs to run this program:
www.cbc.ca/news/canada/windsor/windsor-home-tax-vacant-1.7041651

The City of Hamilton spent \$400,000 to develop their Vacancy Tax, which included sending notifications to residents,

<https://www.cbc.ca/news/canada/hamilton/vacant-unit-tax-1.7093382>

Hamilton is hiring 16 FTEs to run their program, which will require residents to fill out a declaration. They intend to audit declarations. It is important to note that the population of Hamilton is roughly 4 times that of Guelph.

Guelph will benefit from the fact that we do not need to reinvent the wheel when it comes to designing a vacancy tax. Four other Ontario municipalities, as well as the City of Vancouver and the Province of BC are already out in front.

Savings:

I have not seen a calculation of savings in any Vacancy Home Tax reports or media coverage I have read. This is completely mystifying to me.

Over a 10-year period (2006-2016), the \$10.2 million cost of Guelph's water conservation programming was deemed a success, not because it generated any revenue, but because it delayed the expenditure of \$40.6 million to expand water and wastewater infrastructure:

<https://guelph.ca/wp-content/uploads/WaterEfficiencyStrategyUpdateSummary.pdf>

Likewise, any expenditures on a Vacancy Tax need to be evaluated against savings gained from delaying spending on the infrastructure required to build new homes.

DCs for a detached home in Guelph will be set at \$64,813 as of March 1, 2024. The remaining 25% shortfall covered by citizens and not by DCs will be around \$21,604. So, if Bill 23 requires citizens to pick up the full infrastructure tab for an "affordable" house under Bill 23, we could be handing over \$86,417 of public money JUST FOR ONE HOUSE!!!

Research recently conducted by the Federation of Canadian Municipalities pegged the average cost of infrastructure required by a new home at \$107,000:

<https://fcm.ca/en/news-media/news-release/new-research-canadas-housing-challenge-also-infrastructure-challenge>

It's not clear why Guelph's total infrastructure costs are significantly below this average.

Any evaluation of a Vacancy Tax needs to look at not just tax revenue generated from people who keep their property vacant, but also the money saved by not building a new house. You

would only have to have 10 houses come back onto the market for sale or rental to save anywhere from \$864,170 to \$1,070,000 in infrastructure costs for 10 new builds.

Revenue:

Revenue from a Vacancy Tax will depend of the number of vacant units in the City, the levels of enforcement and compliance and the amount of tax assessed on a property.

The City of Hamilton is estimating that it will generate over \$4 million in gross revenue in the first year with a 1% tax.

The City of Windsor initiated its tax at 3%. Toronto just increased its tax rate to 3% from 1%

The Vacancy Tax in the City of Vancouver is 3%, however, property owners are also subject to the Provincial Speculation and Vacancy tax of 2%, so they are paying 5% in total.

On p. 3 of the Staff Report, the consultants state the following:

“..... it is almost impossible to accurately predict the actual number of properties that will end up being subject to a VHT. Any criteria set by the City will, at best, provide an upside estimate of what revenues the program may produce. Further, until the program is operational, exemptions are being processed and funds being collected, it will be impossible to know what the City’s “net” position would be.”

Essentially the consultants are saying that revenues cannot be accurately assessed until a Vacancy Tax is operational. Given that the potential savings in infrastructure costs ARE known and are substantial, this would support initiating a Vacancy Tax, at minimum on a pilot basis. When full cost accounting and a triple-bottom-line analysis is applied, there are multiple benefits to implementing a Vacancy Tax.

The Environmental bottom line:

Building a house requires a huge amount of natural resources, energy and labour. A number of studies have sought to quantify the amount of energy used.

This document, “An Introduction to Embodied Carbon”, estimates the carbon footprint of an average 2-bedroom house at 80 tonnes of carbon dioxide equivalent.

<https://hudsonarchitects.co.uk/journal/post/an-introduction-to-embodied-carbon/>

A paper by MIT suggests a range of 15 – 100 Imperial tons of CO₂ required to build a house, depending on the materials used: <https://climate.mit.edu/ask-mit/how-much-co2-emitted-building-new-house>

If we are truly committed to addressing the climate crisis, we cannot justify spending huge amounts of energy and materials to build new homes while housing is sitting empty within already built-up areas.

Vacant housing within a City has been described as a process of “sparsification” rather than densification. It demands more energy to deliver services over a bigger geographical area as opposed to a compact area. Guelph will spend more money and energy to plow streets, pump water and pick-up garbage if the population is spread out.

New housing also sprawls onto farmland and natural areas, affecting our ability to feed ourselves locally and destroying habitat for many species. We need to optimize housing that already exists before we incur these environmental costs.

The Social bottom line:

Vacant housing in a community can have a significant negative impact on the quality of life, affecting both residents and the local economy.

Vacant houses can create “dead zones” and bring about a kind of neighbourhood blight. This saps the vitality from a City.

Vacant homes are an increased fire hazard. There is a risk of increased crime with a lack of “eyes on the street.” Other health and safety concerns are rodents, insects, mold and structural issues. These are pressing concerns for neighbours, especially in a semi-detached home situation. Lack of heating on one side of a building can lead to frozen pipes. Rodent, insect and mold issues can spread to the adjoining unit.

One family I know in Toronto lives in the middle of a number of row houses. Prior to Toronto’s vacancy tax, both end units were vacant. The middle property owners lived in fear that frequent squatters would start a fire which would take down all the adjoining buildings. With the new vacancy tax in Toronto, both those units have now been sold and new families are moving in.

The accumulation of all these issues can have a negative psychological impact on the community. There is also the question of perceived fairness and social justice. It is incomprehensible that housing is sitting empty while many Guelphites are struggling to find a roof over their heads, let alone one that is affordable.

The consultants report suggests that there are “reputational risks” for the City if a Vacancy Tax is implemented and it is not successful. Council needs to consider the reputational risks of failing to do everything within its power in the midst of this crisis.

Are Vacancy Taxes effective?

In Vancouver, the 'Speculation and Vacancy Tax', combined with the 'Foreign Ownership Tax' brought 20,000 condo units back into the long-term rental market."

<https://news.gov.bc.ca/releases/2022FIN0028-001137>

The Provincial Speculation and Vacancy tax is also now generating \$81 million annually, which is being directed to affordable housing projects:

<https://www2.gov.bc.ca/gov/content/taxes/speculation-vacancy-tax>

Projected numbers for Guelph:

On February 29th, 2024, Mayor Guthrie spoke at the Guelph Men's Club. In response to a question about a possible Vacancy Tax, the Mayor answered that an independent study had been conducted using water and electricity usage data and had concluded that there were "only 275 vacant homes" in Guelph.

Unfortunately, I have not been able to track down this study and City Staff appear to have no knowledge of it. However, for the purpose of creating some projections, I will use the Mayor's numbers.

The median list price of a home (detached, semis and condos) for February in Guelph was \$778,160. For the purposes of this projection, we will use a round number and assume the average median assessed MPAC value, which is always lower than the market, is \$500,000.

A 1% vacancy tax on 275 homes assessed at a median of \$500,000 (\$5,000 is 1%) would add up to gross revenue of \$1,375,000 annually. Bring a vacancy tax in at 3%, like Windsor did, and the revenue jumps to \$4,125,000.

Or, if they all the homes were sold or rented, it could save us a low estimate of \$15,557 (the DC shortfall for multiple units) per house, even before having to pay extra for Ford's discounts. That would be \$4,278,175 in savings of tax dollars and water and wastewater fees.

Either way you slice it, Guelph citizens would enjoy a financial benefit

Conclusion:

Guelph needs to have a full public debate about the merits and drawbacks of a Vacancy Tax.

The report prepared for Council failed to account for significant savings in infrastructure costs and to apply triple-bottom-line accounting. The consultants also made conclusions which were not supported by any evidence or data.

Susan Watson

March 15, 2024