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**Submitted via email to** [VLT-TTV@fin.gc.ca](mailto:VLT-TTV@fin.gc.ca)

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## **RE: Consultations on the Taxation of Vacant Lands**

The City of Guelph appreciates the opportunity to provide input on the design and implementation of a potential vacant land tax. The City's overall comments on this proposal are provided below.

### **Summary:**

Overall, a vacant land tax could be a viable tool to incent housing development, while providing increased revenue that can be used by municipalities to directly accelerate housing through infrastructure investments, and other initiatives aimed at increasing the housing supply. However, we want to stress that due to the highly variable local context influencing development in various municipalities, this tax program will need to have significant flexibility to allow for local decision making and administration. Additionally, this program will need to be carefully designed to avoid placing additional financial barriers on good-faith land owners, and to prevent a further loss of tax revenue through the increased use of property tax mitigation measures. The City of Guelph would be interested in participating in further rounds of consultation to provide feedback on the specific details of this proposed tax.

The City's responses to the specific questions posed in the [consultation paper](#) on this topic are provided below:

### **1. Questions for All Stakeholders**

*What are your thoughts on a vacant land tax potentially applying in your community? Do you foresee potential drawbacks or unintended consequences that should be considered?*

A vacant land tax could be an effective method of incenting housing development and accelerating stalled projects. In addition to providing a tax policy tool to increase the cost of inaction for developers and discourage land speculation, a vacant land tax could also provide increased revenue that can be used by municipalities to directly accelerate housing.

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However, caution must be taken to ensure that this tax does not financially penalize homebuilders who are unable to proceed with development for legitimate reasons. There are many economic, administrative, and infrastructure challenges which may inhibit residential development, and a vacant land tax must be carefully designed to avoid creating additional barriers to development.

Furthermore, this tax could potentially increase the use of property tax mitigation measures. Currently, some commercial landowners may lease vacant residential land to farmers to take advantage of reduced property tax rates on large parcels of vacant, residentially zoned land. Implementing a vacant land tax may drive other developers who do not currently use this strategy to make their land available for farming, resulting in an overall decrease in tax revenue from the current baseline, without incentivizing development.

*Are there reasons that may help explain why some vacant land is not being actively developed in your community?*

There may be many legitimate reasons for the lack of development on vacant lands. Various economic factors, such as high construction costs, high borrowing costs, and lack of market feasibility are common barriers to development. Lack of servicing capacity is another common barrier to development for municipalities, which requires municipalities to make significant infrastructure investments to meaningfully address. Many municipalities are currently balancing necessary housing enabling infrastructure investment with investment in maintaining state of good repair for existing assets. Municipalities are grappling with absorbing inflationary factors that have outpaced property tax increases over the last several years, as well as significant legislative changes to growth revenue sources.

*Are the proposed criteria (i.e., vacant, residentially or mixed-use zoned, serviceable, and physically developable) for lands to be included in a potential tax base suitable?*

These criteria are a good starting point, however, it is challenging to set out specific criteria for the definition of vacant land that will be applicable and relevant across the country. In the City's opinion, the final decisions on the designation of land as "vacant" should remain at the local/municipal level.

Recognizing the abovementioned challenges, general guidelines on the designation of land as "vacant" could greatly assist with the implementation and administration of a vacant land tax by local governments. Provided below are some recommendations regarding the proposed criteria, organized using the questions in the discussion guide:

- *When should land be considered vacant?*

Generally, land may be considered vacant if it is not the highest and best use of the land. Local zoning or official plan designations could potentially serve as a guide for "highest and best use", as they reflect the local government's consensus on intended land use for any given parcel of land. In very broad terms, where landowners are not realizing the type of

development which is intended for a specific piece of land under local plans and by-laws, the land may be considered vacant. However there is likely to be additional nuance and local context which needs to be considered in the creation of vacancy criteria, and the development of these criteria will need to fall under local jurisdiction to ensure that it does not impose unfair vacant land taxes on landowners who are acting in good faith.

- *Should surface parking lots, lots with derelict structures or underdeveloped lands be considered vacant?*

This may greatly increase scope of this proposal, and encourage infill residential development on underused sites within existing neighborhoods. However, consideration should be given to the fact that these sites may have higher re-development costs compared to greenfield developments, and may have contaminants requiring expensive remediation. While a vacant land tax may encourage these property owners to find more beneficial uses for their land, a tax alone may not be sufficient to overcome the additional costs of redeveloping these sites.

- *What criteria should apply in determining whether land is serviceable?*

In general, if local system capacity can accommodate the additional load anticipated to be brought on by a new development on the land, it could be considered serviceable. However, there are often complicating factors which make this definition challenging. For example, there may be sufficient servicing capacity in the overall municipal system, but the linear infrastructure serving a vacant site may not be able to accommodate development, meaning that the site cannot be serviced without municipal infrastructure upgrades. Determining the serviceability of a site is a highly technical task and is best determined by local authorities.

*In what circumstances might it be appropriate to pause the application of a vacant land tax in respect of a particular site?*

There may be occasions where development is delayed for a legitimate reason, such as approval delays which are outside of the direct control of the landowner. Local authorities have the most direct relationships with landowners, and are best positioned to determine whether a particular circumstance warrants the pause of a vacant land tax. Ultimately, this administrative power needs to fall at the local/municipal level.

*What considerations should inform the tax rate that would apply to a vacant land tax base? To what extent, if any, should the tax rate vary by jurisdiction?*

Given the wide variation in land values across the country, and the differing causes of under-development of vacant lands, it is important that local governments are given flexibility to set vacant land tax rates. This ensures that the tax rates reflect local context, and allow municipalities to achieve desired outcomes without causing unintended consequences for landowners and housing availability.

## **2. Questions for Provinces, Territories, and Municipalities**

*Would you be interested in further engaging with the federal government on a potential vacant land tax? Why or why not?*

The City of Guelph would be very interested in further engagement on this proposal. This may be a viable incentive for developers to move forward with stalled developments while also creating an additional revenue source to further incent housing development. This program will need to be developed in consultation and partnership with local governments, to ensure that any framework proposed at a federal level provides meaningful support to local governments while leaving sufficient flexibility for local decision making.

*What are the impediments to introducing a vacant land tax in your jurisdiction? What potential solutions would overcome these impediments?*

Insufficient administrative capacity may present an impediment to introducing a local vacant land tax. The design of this program will need to carefully balance the need for local flexibility in program administration, while providing enough support and guidance and to local governments to ease the administrative burden of running this program. Start-up grants may be a potential solution to provide stop-gap funding for municipalities to establish administrative capacity.

In addition to local capacity challenges, this initiative would have to align with current provincial legislation for levy and collection purposes.

*On what basis would your government like to see funding allocated to participating jurisdictions?*

In the City's opinion, once any potential vacant land tax program is established, it should be administered at a local level, and any revenue should remain within the municipality where the revenues were collected. This ensures that municipalities are able to re-invest local tax revenue towards housing-enabling infrastructure and other housing initiatives to increase housing availability in the community as they best see fit.

*Are there any other considerations you would like to bring to the federal government's attention regarding the taxation of vacant lands?*

A core program/guidelines with significant local flexibility in program development and administration will be key to the success of a vacant land tax. Access to provincial assessment services related to any program will also be key to ensure effective administration of this tax.

**Closure:**

We appreciate this opportunity to provide input on this consultation, and greatly look forward to any further consultations on the details of this proposal. Should you have any questions about the feedback provided, or require additional details please do not hesitate to contact the City at

[intergovernmental.relations@guelph.ca](mailto:intergovernmental.relations@guelph.ca).

Sincerely,

**Shanna O'Dwyer**, General Manager, Finance

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