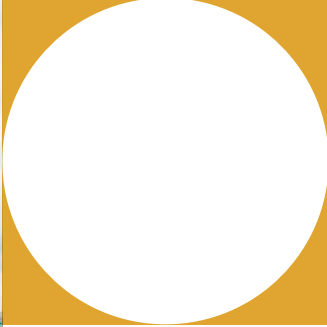




Vacant Unit Tax

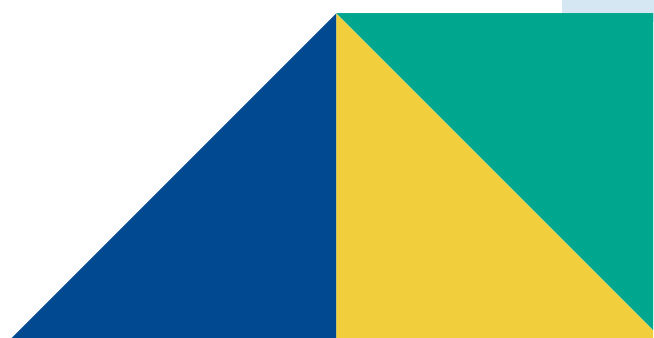
2022 occupancy year
annual report





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Introduction

In 2023, Ottawa launched the Vacant Unit Tax (VUT) program. Eligible residential property owners are required to complete an annual declaration indicating whether their property was occupied or vacant during the previous calendar year. The program addresses Ottawa's housing crisis by encouraging property owners to return vacant units back to the market. This increases the supply of housing and, in turn, improves overall housing affordability. In addition, all net proceeds generated from the program help fund the City's affordable housing initiatives.

This report provides a summary of the key results and impacts of the first year of the VUT program, which targeted the 2022 occupancy year. Data included in this report is captured as of August 15, 2024 and captures the vast majority of audits and appeals completed for the 2022 occupancy year. City staff will publish this report annually on [Ottawa.ca/VUT](https://ottawa.ca/VUT) and will include updated data for previous years to continue providing insight into the impact of the program and its effect on Ottawa's vacancy rate.

Why a Vacant Unit Tax?

In response to Ottawa's affordable housing crisis, City staff were directed to conduct a detailed study on the impact and feasibility of implementing a Vacant Unit Tax (VUT) in Ottawa. Like many major Canadian cities, Ottawa faces increasing demand for affordable housing fueled by population growth, inflation, and rising living costs.

According to 2021 federal census data, in Ottawa, 35.1 per cent of renter households spend 30 per cent or more of their income on shelter costs. The Canada Mortgage and Housing Corporation (CMHC) 2024 Housing Market Outlook indicates Ottawa continues to face a tight rental market resulting in increased rental costs, with house prices expected to continue to increase in 2025 and 2026. The 2024 rental market report further underscores Ottawa's housing challenges, with a big jump in demand as 56 per cent more people migrated to Ontario compared to the prior year.

The VUT is one tool the City can leverage to directly target the surge in demand by encouraging property owners to keep residential units available on the market, increasing housing supply and improving overall housing affordability.

In 2022, 13,317 residential properties were sold on the housing market, according to Municipal Property Assessment Corporation (MPAC) Property Pulse Dashboard. Had the 3,672 vacant units identified as vacant through VUT in 2022 been available to the market to transact, they would have increased the property inventory by 28%. It is evident that these vacant properties would have made a tangible impact on the housing market had they been offered for sale or lease.

In developing this new program, staff reviewed similar tax regimes across the globe to determine best practises, such as Vancouver's Empty Home Tax, which has decreased vacancy rates by eight per cent on average annually. Staff incorporated feedback from stakeholders and received feedback from residents through an online survey, which indicated strong support for a vacant unit tax program.

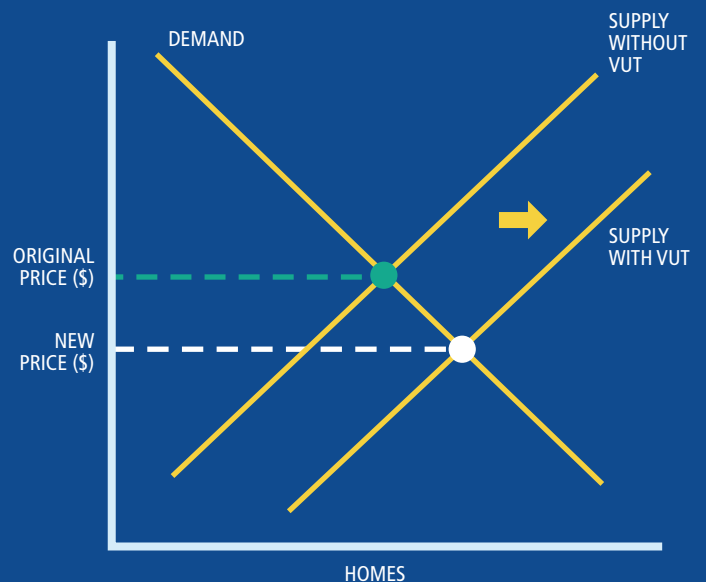
After careful consideration, Ottawa's City Council approved the VUT in March 2022 to help make housing more affordable and available in the city. Several municipalities across Ontario have since implemented or are considering implementing this tool.

13,317 Homes sales in 2022

3,672 Vacant units for the 2022 Occupancy Year.



28% Potential increase in housing inventory



How the VUT works

All residential property owners are required to register the status of their property for the previous calendar year annually. Declarations must be submitted by the Interim tax due date each year. A \$250 late declaration fee applies if the deadline is missed, although this fee was waived in the first year of the program. Declarations are accepted until April 30 of each year. If no declaration is made, the property is deemed vacant and subject to the tax.

Eligible residential properties are identified based on property assessments determined by the Municipal Property Assessment Corporation (MPAC). Provincial legislation limits eligibility to residential properties with six units or less.

Units are considered occupied if they are used as someone's principal residence for at least six months during the previous calendar year. Property owners are required to specify the type of occupancy. There are three occupancy types:

- 1. Principal residence – homeowner**
This designation is for the location where you live and carry out your daily activities, such as receiving mail and paying bills. You can only have one principal residence, even if you are away for extended periods due to travel or work. It is the home you ordinarily occupy.
- 2. Principal residence – permitted occupant**
This category applies when the unit is occupied by a family member, friend, or other permitted occupant for residential purposes, and they consider it their principal residence.
- 3. Tenanted**
This status applies when the property has been occupied by tenants for at least 184 days, in increments of at least 30 days.

If the unit was not occupied for at least six months, property owners may claim one of the following exemptions:

- In case of sale
- In case of court/government order
- In case of death
- Owner in care
- Construction/renovation
- Combination of tenanted and construction/renovation
- Cottage rental

A unit is declared vacant if it was not occupied and no exemption applies.

VUT Annual Cycle



DECLARATION PHASE

Standard: January 1–March 16
Late: March 17–April 30

APPEAL PHASE

Step 1 Notice of Complaint:
May 15–September 15
Step 2 Request of Review:
60 days from NoC determination

AUDIT PHASE

May 15 onwards
City staff have authority to audit property owner's declaration for up to 3 years

Properties that do not meet the minimum of six months of occupancy or are declared vacant are charged the Vacant Unit Tax (VUT). If a declaration is not received, the property is deemed vacant and charged the VUT on the Final property tax bill.

The VUT tax rate for 2022 was one per cent of the property's assessed value. For multi-unit properties such as duplexes, the VUT charge is prorated based on the number of vacant units.

A two-stage appeal process is available to property owners who disagree with the VUT charge. Additionally, declarations undergo random audits to confirm the validity of declarations, ensure compliance, and maintain equitable application of the VUT program across all properties.

2022 vacancy and geographic data

The declaration period began on January 4, 2023. A total of 336,812 residential units were required to submit a declaration stating how the unit was occupied in 2022. To date, the City has received 99.56 per cent of the required declarations for the 2022 occupancy year. Declarations are accepted through various accessible methods to accommodate all property owners. These include online through [Ottawa.ca](https://ottawa.ca) or [My ServiceOttawa](https://myserviceottawa.ca) (My SO); over the phone or in-person with City staff; or by mail upon request.



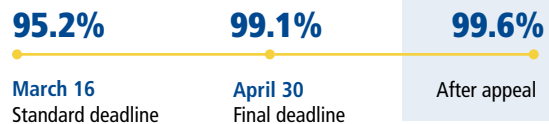
Declaration method

Online (Ottawa.ca and My SO)	321,948	96%
Phone/in person	13,415	4%
Total	335,363	

*Most property owners completed their declaration online, resulting in a significant increase in registrations for My ServiceOttawa and paperless billing.

Declaration timeline

Percentage of Declarations Received



*Over 50% of declarations were received in the first 2 weeks.

2022 Occupancy status – net of appeals and audits



Property Type	Occupied	Exempt	Vacant	Total units
Single family detached home	168,144	1,192	1,198 (0.7%)	170,534
Condominium	65,489	550	1,280 (1.9%)	67,319
Townhouse	58,271	365	423 (0.7%)	59,059
Multi-unit residence up to 6 units	19,823	421	589 (2.8%)	20,833
Semi-detached home	17,715	109	120 (0.7%)	17,944
Other	1,016	45	62 (0.6%)	1,123
Total	330,458	2,682	3,672 (1.1%)	336,812

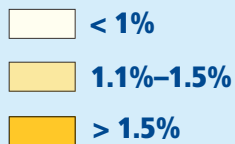
Condominiums and multi-unit properties had the highest proportion of vacancy across all property types in 2022. Ottawa is the sole municipality in Canada collecting vacancy data for multi-unit properties with up to 6 self-contained units.

This data helps ensure these units are occupied and contributing to the City's housing supply.

The most common exemption claimed was property sale, a detailed summary of all exemptions claimed is included in Appendix 1.

Vacancy by geographic area

Vacancy Rate



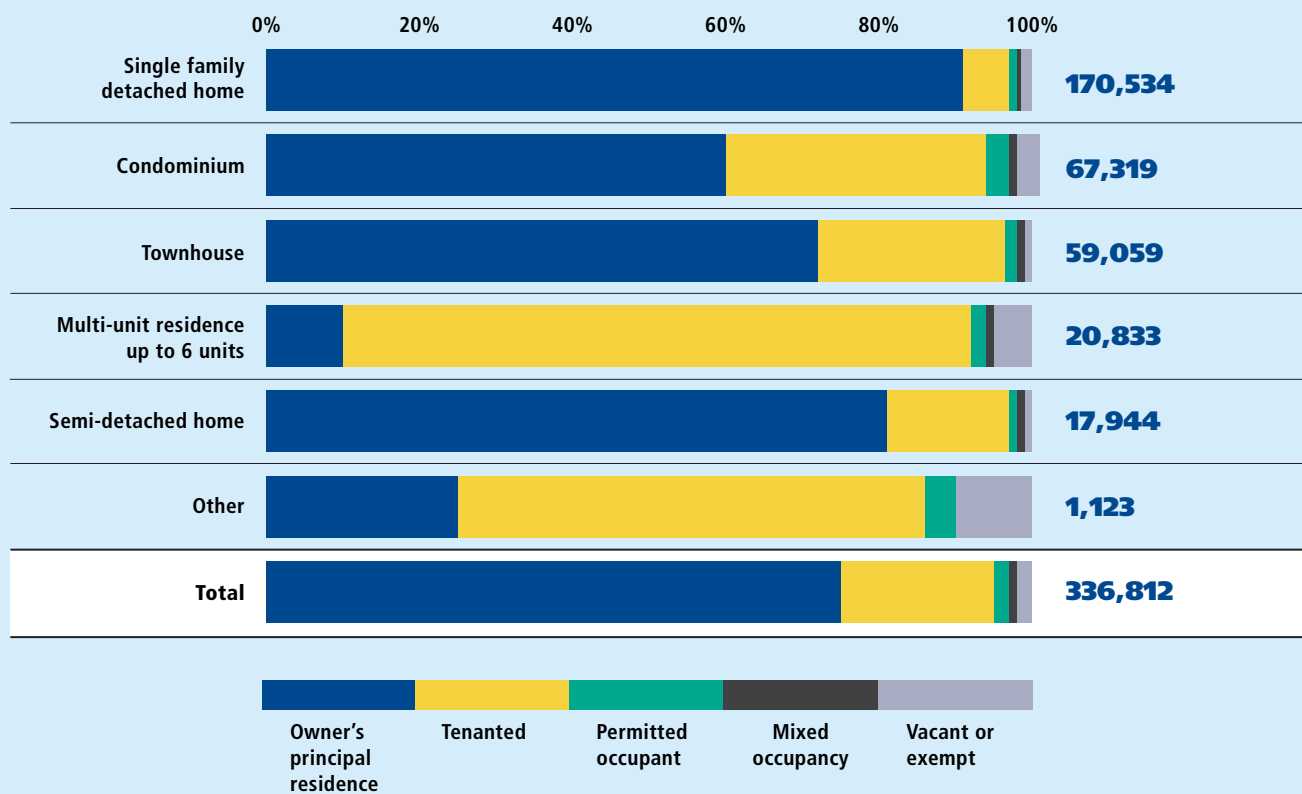
Vacancy by Geographic Area

No.	Ward	VUT eligible units	Vacant Units	Vacancy rates
1	Orléans East-Cumberland	17,929	114	0.6%
2	Orléans West-Innes	16,758	101	0.6%
3	Barrhaven West	17,971	119	0.7%
4	Kanata North	13,807	72	0.5%
5	West Carleton-March	8,717	114	1.3%
6	Stittsville	16,697	83	0.5%
7	Bay	12,616	172	1.4%
8	College	17,311	177	1.0%
9	Knoxdale-Merivale	11,911	86	0.7%
10	Gloucester-Southgate	13,478	135	1.0%
11	Beacon Hill-Cyrville	11,118	124	1.1%
12	Rideau-Vanier	15,614	355	2.3%
13	Rideau-Rockcliffe	11,201	172	1.5%
14	Somerset	13,885	333	2.4%
15	Kitchissippi	14,823	228	1.6%
16	River	13,605	156	1.1%
17	Capital	13,579	192	1.4%
18	Alta Vista	11,658	228	2.0%
19	Orléans South-Navan	17,531	149	0.8%
20	Osgoode	9,983	111	1.1%
21	Rideau-Jock	10,101	104	1.0%
22	Riverside South-Findlay Creek	12,715	148	1.2%
23	Kanata South	17,530	84	0.5%
24	Barrhaven East	16,274	115	0.7%

The areas of the city with the highest vacancy rates are concentrated in the urban core. The three wards with the highest vacancy rate are Rideau-Vanier, Somerset and Alta Vista. In each of these wards, condominium units are the most common type of vacant property.

How is Ottawa's housing stock used?

The data collected from the VUT program provides valuable insight into how Ottawa's housing stock is being used, indicating whether properties are owner-occupied as a principal residence or otherwise. Annual declarations help monitor trends in property types and ownership. Condominiums and multi-unit properties have the highest proportion of tenanted occupancy. Nearly one quarter of all units are not occupied by the property owner. A breakdown of occupancy type by ward is included in Appendix 2.





Appeals, audits, and revenue

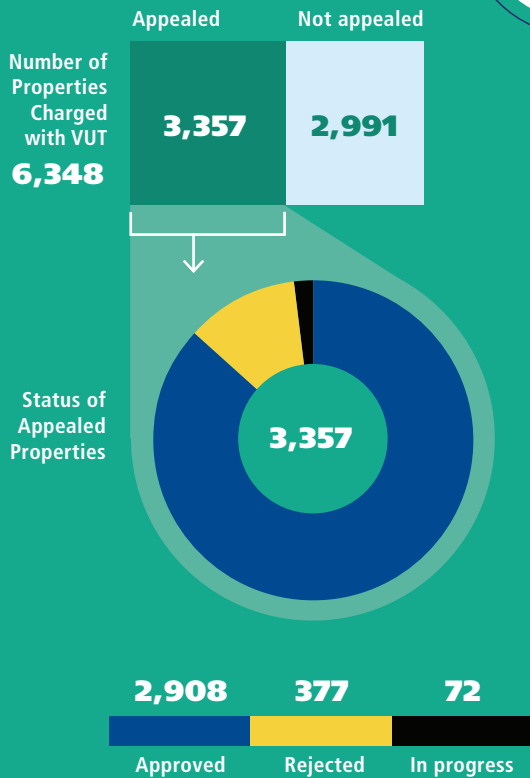
Appeals

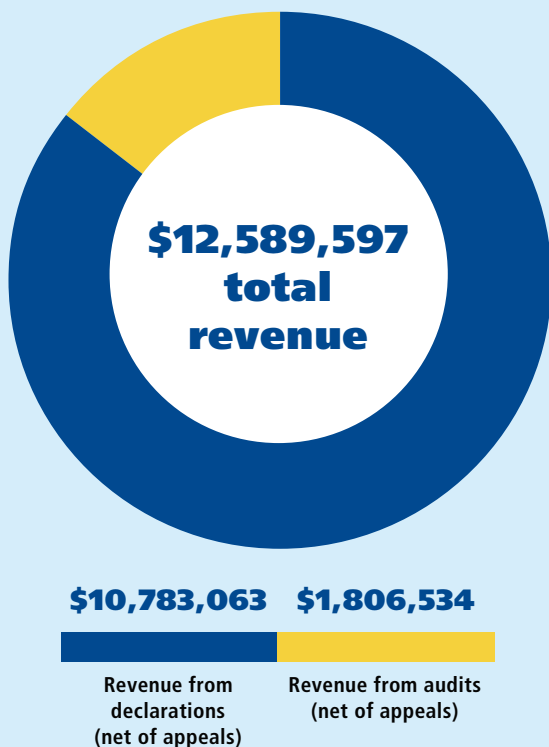
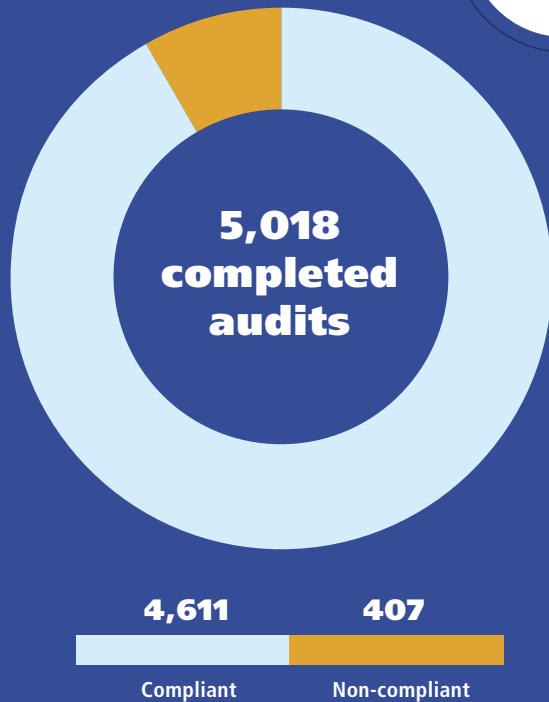
Ottawa's Vacant Unit Tax (VUT) program includes a process for property owners to appeal the tax if they believe they should not have been charged. Appeals must be submitted by specific deadlines and require supporting evidence.

The first stage of appeal is called a Notice of Complaint (NOC), which allows property owners who received a VUT charge on their Final property tax bill or a Supplementary tax bill to contest it. If the NOC is denied, property owners have the option to proceed to the second level of appeal. This stage involves filing a Request for Review (RFR) within 60 days of the initial denial.

Throughout both stages, the City may request additional information from the appellant to substantiate their appeal.

Approved appeals commonly involved residents who failed to submit a declaration and were deemed vacant, or who made an error on the declaration form such as inputting partial occupancy rather than claiming the property sale exemption.





Audits

The City audits declarations where the Vacant Unit Tax (VUT) was not charged to ensure that the information provided is accurate, complete, and complies with the VUT by-law. Property owners may be asked to provide additional documentation if needed. If sufficient information is provided, the audit is closed with no further action. However, if documentation is inadequate or not provided, the VUT charge is applied to the property tax roll. Property owners who disagree with the Audit determination can file a Notice of Complaint and follow the same appeal process as properties charged the VUT on their Final Tax bill.

Audits are planned by assessing the scope, objectives, and risks associated with each declaration year. Due to capacity constraints, a variety of methods are used to ensure residents comply with the VUT by-law. These methods include risk assessments, random sampling, and testing to verify compliance. Residents have 30 days to respond to an audit letter, with additional time granted when necessary. This timeline is consistent with other government-led audits.

The majority of audits for the 2022 occupancy year have been completed. Any revenues from the remaining in progress audits will be reflected in the 2023 occupancy year annual report.

Revenue

The City has generated \$12.6 million in revenue from the first year of the Vacant Unit Tax (VUT) program. This amount includes initial billing on the 2023 Final property tax bill, audit billing, and any adjustments from VUT charge reversals due to appeals. The VUT is subject to penalties and interest, just like property taxes. If payment is not made by the due date, a penalty of 1.25 per cent for late payment will be added to the account the following day, and additional interest will accrue at this rate on the first day of each following month until the account is paid in full. If the VUT remains unpaid, it becomes a lien on the property, and collection actions proceed similarly to property taxes.

Use of funds

Revenue generated from the Vacant Unit Tax (VUT) is used to recover all administrative costs of the program, all remaining proceeds are allocated entirely to the City's affordable housing initiatives.

Program administration costs

All costs of the Vacant Unit Tax (VUT) program are fully funded by VUT revenues. Costs for administering the first year of the VUT program total \$2.28 million, which includes expenses from 2022 (the year City Council approved the VUT) and 2023 (the first year the VUT was in effect). The City employs 12 full-time staff and 6 part-time casual staff to manage the program. Additional costs include the development and maintenance of the IT solution and communication expenses. The high use of online methods for declarations allows the program to run efficiently, with most residents taking advantage of self-serve channels.



The **2023 VUT** portion of the funding contribution to these projects is equivalent to **51 fully supported** affordable housing units.

Funding affordable housing

The net revenues from the Vacant Unit Tax (VUT) contribute to the capital construction of new affordable and supportive housing. For 2023 and 2024, these projects include:

- 54 supportive housing units by Salus at 56 Capilano drive in Ward 9;
- 31 affordable rental units by Nepean Housing at 1 Dunbar Court in Ward 8;
- Acquisition of 1245 Kilborn Place (Ward 18) for the purpose of redeveloping the site to include supportive housing and a community and social services hub;
- 133 affordable rental units by Multifairth housing initiative who are partnering with a private developer Dream (247 affordable and 354 market units) at 665 Albert Street in Lebreton Flats in Ward 14; and
- 273 affordable rental units by Ottawa Community Housing Corporation's Rochester Heights Phase 2 project at 822 Gladstone Avenue in Ward 14.





Conclusion

The first year of the Vacant Unit Tax (VUT) program has revealed that Ottawa's vacant housing issue is more significant than anticipated. The vast majority of residents have complied with the program, completing their annual declarations and responding to audits as required. Due to an effective communications and awareness campaign, it is clear that nearly every homeowner is capable of declaring annually. This is important because an annual declaration is the most effective tool to remind every resident once a year of City Council's strategic priority: a city that has affordable housing and is more liveable for all. It reaches every resident and every home annually, is cost-effective, and only takes one minute to complete.

Further, the program has successfully identified and taxed vacant units. This will return units back to the market quicker and has made significant contributions toward affordable housing initiatives.

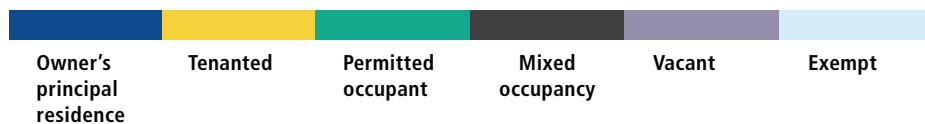
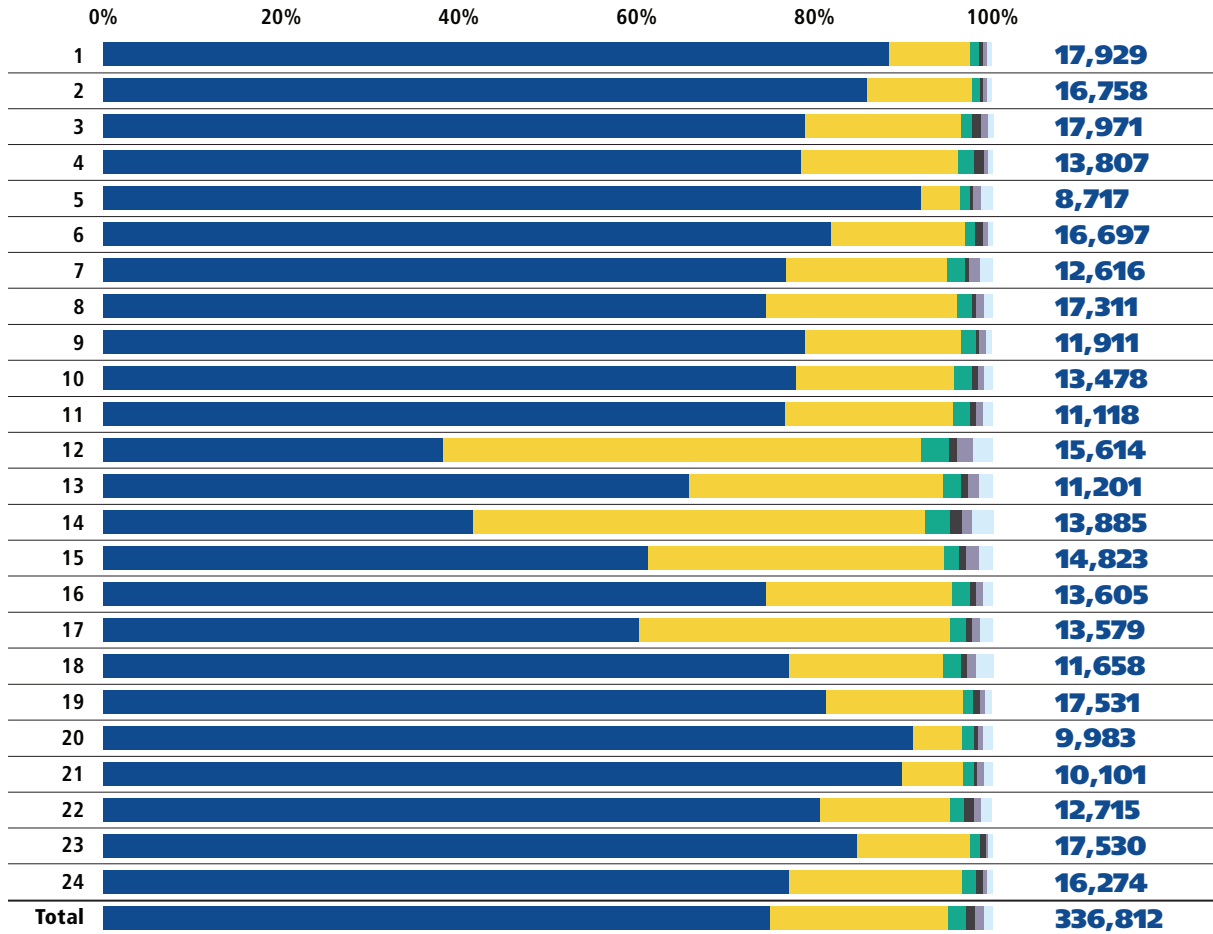
Monitoring year over year changes in occupancy data and analyzing the effect on property owners will be essential in assessing the VUT's impact on Ottawa's housing market. Staff will continue to monitor the impact of these and other indicators as part of the City's broader priority for affordable housing and improved livability for all residents. An annual report will be published each fall on the performance of the VUT in order to measure its effectiveness and to ensure the goals of the program are achieved.

Appendix 1: Exemption data

Summary of units that qualified for an exemption for the 2022 occupancy year

Exemption	Number claimed
In case of sale	1,325
In case of court/government order	9
In case of death	296
Owner in care	205
Construction / Renovation	743
Combination of tenanted and construction/renovation	81
Cottage rental	23
Total	2,682

Appendix 2: Occupancy type by ward



1	Orléans East-Cumberland	13	Rideau-Rockcliffe
2	Orléans West-Innes	14	Somerset
3	Barrhaven West	15	Kitchissippi
4	Kanata North	16	River
5	West Carleton-March	17	Capital
6	Stittsville	18	Alta Vista
7	Bay	19	Orléans South-Navan
8	College	20	Osgoode
9	Knoxdale-Merivale	21	Rideau-Jock
10	Gloucester-Southgate	22	Riverside South-Findlay Creek
11	Beacon Hill-Cyrville	23	Kanata South
12	Rideau-Vanier	24	Barrhaven East

A detailed breakdown on how Ottawa's housing stock is used can be found on <https://open.ottawa.ca>



Visit ottawa.ca/VUT
for more information.

