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Property Tax and Assessment News from Around the World

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CONTENTS

U.S. MALLS OWNERS ARE BUYING UP DISTRESSED RETAILER TENANTS. WILL CANADIAN COUNTERPARTS FOLLOW? 1
RBC'S "WORST CASE" FOR CANADIAN REAL ESTATE IS A PRICE DROP OF NEARLY 30% 4

ALBERTA 5

EDMONTON CITY COUNCIL APPROVES 2021 PROPERTY TAX FREEZE — THE FIRST SINCE 1997 5

BRITISH COLUMBIA....6

VANCOUVER'S EMPTY HOME TAX IS INCREASING TO 3% NEXT YEAR 6
VANCOUVER PROPERTY TAXES WILL BE HIKED THE MAXIMUM AMOUNT RECOMMENDED IN 2021 6

NOVA SCOTIA 7

INTERACTIVE CAP MAP DESIGNED TO DECIPHER PROPERTY TAX CONFUSION IN NOVA SCOTIA....7

ONTARIO 9

ONTARIO PROPERTY ASSESSMENTS TOP $3 TRILLION IN 2020....10
CITY MULLING TAX ON VACANT HOMES....11
HARD TO SEE A DOWNSIDE TO VACANT HOME TAX IN TORONTO 12
TORONTO'S PROPOSED VACANT HOMES TAX AN ATTACK ON PROPERTY OWNERS 13

SASKATCHEWAN....14

UPDATES MADE ON PROPERTY REVALUATION IN SASKATCHEWAN FOR 2021 14

U.S. malls owners are buying up distressed retailer tenants. Will Canadian counterparts follow?

Landlord options include taking over indebted retailers to redeveloping mall lands into mixed-use property

As Canadian retailers ranging from small shops to major mall anchors struggle to survive the pandemic, there are suggestions the country's major shopping-centre landlords could take a page out of the playbook in the United States, where rent collectors have turned into owners by snapping up the assets or operations of those struggling to pay.

In Canada, some of the largest shopping centre landlords are housed within well-capitalized pension funds that could afford to buy key tenants to preserve the value of their holdings, said Bradley Snyder, executive managing director of Tiger Capital Group, a Boston-based firm that provides asset valuation, advisory and disposition services to retail clients.

“They have material tenants who they cannot lose,” he said. “This isn’t hypothetical, it’s happening in real time in the States.… So it’s going to make sense in certain circumstances that these landlords step in and either back or buy some of these material retailers.”

This week, Indianapolis-based Simon Property Group Inc. and Toronto-based Brookfield Asset Management Inc. closed a US$1.75 billion transaction to acquire JCPenney’s operating and retail assets after the retailer entered Chapter 11 bankruptcy proceedings.

For Brookfield, the investment follows through on a $5 billion “retail revitalization” program launched in the early days of the COVID-19 pandemic to provide capital and assist with the recapitalization of retail businesses through non-control investments. Funded by the alternative asset manager and its institutional partners, the program targets retail businesses with at least $250 million in pre-pandemic revenues that have been operating for at least two years.

Brian Kingston, chief executive of real estate at Brookfield, said in a statement Monday that the JCPenney transaction is “exactly the type of investment” the retail revitalization program was designed to make, and one that creates “a successful blueprint” for using pooled expertise and industry relationships to transform the retailer.

A spokesperson for Brookfield declined to comment on whether there are plans afoot to purchase struggling retailers in Canada.

However, there are signs of serious trouble on the landscape. Iconic Canadian retailer Hudson’s Bay Co., which was recently privatized, is in battles with multiple landlords across the country amid reports the department stores have not been paying rent since the pandemic was declared in March, shuttering shops and malls.

“We believe that landlords and tenants should work to amicably and logically share the losses incurred during the ongoing pandemic,” an HBC spokesperson told the Post.

For other Canadian retailers, trying to contend with reduced sales due to government-mandated shutdowns while facing increasing costs to deliver goods — as they compete with online shopping alternatives such as Amazon — has taken a heavier toll: Like JCPenney south of the border, several have entered proceedings to stave off creditors and bankruptcy.

This list includes such household names as Pier 1 Imports Inc., Davids Tea Inc., Reitmans Ltd., Aldo, Le Chateau Inc., Mendocino Clothing Company Ltd., Groupe Dynamite Inc. and Moores the Suit People Inc.

Buying a struggling retailer is not the only choice landlords have. Shopping malls have large footprints and, in some cases, they might find it preferable to buy tenants out of their leases and convert the property into sought-after “mixed use” development with condominiums, offices, entertainment, shopping and dining.

“It is opportunity specific,” said Snyder, adding that some retail acquisitions in the U.S. have been pursued to keep the anchor tenant in a shopping mall and preserve so-called co-tenancy provisions. Once an anchor tenant leaves, these co-tenancy clauses can trigger reduced rents for other mall tenants or allow them to get out of lease commitments relatively unscathed.

Some landlords, spooked by the complications of running a retail operation, have sought strategic partners, Snyder said, pointing to another form of deal that has gained traction in the U.S.

Simon Property Group, which has bid on struggling retailers including Brooks Brothers, Forever21 and Lucky Brands, partnered with Authentic Brands Group to acquire apparel and accessories brand Aéropostale, for example.

Still, some industry watchers are skeptical Canadian landlords will follow the path of their U.S. counterparts, suggesting that the risk profile of a retailer doesn't fit the investment appetite of pension funds in which they are housed.

"I would be surprised if the big pension funds were going down this path," said Charlene Schafer, a partner specializing in commercial real estate and private equity at law firm Torys LLP in Toronto.

She noted that such investments would have to meet the specific criteria of the risk officers or committees at some of Canada's largest and most sophisticated pension funds.

Cadillac Fairview, which owns 19 shopping malls across the country including the Toronto Eaton Centre, is part of the Ontario Teachers' Pension Plan. OMERS, which oversees the pension of municipal workers in Ontario, owns Oxford Properties, another large owner of shopping centres. And Ivanhoé Cambridge, owner of 26 shopping malls across Canada, is housed within the Caisse de dépôt et placement du Québec.

Officials at Oxford Properties and Ivanhoé Cambridge said investing in or purchasing retail tenants is not part of their current investment strategy.

"Over the course of the last nine months, we have deployed a series of mitigating measures, on a case-by-case basis, including rent deferrals as well as participating in the CECRA (rent) program to help our retailers across our Canadian retail portfolio as well as support the economy of country," said Ivanhoé Cambridge spokesperson Katherine Roux Groleau.

Schafer said real estate is a sought-after asset for these funds, and a retail chain that owned at least some of its properties could be an attractive target. Retail on its own, however, "has not been a popular asset class among these pension plans and institutional investors," she said.

An investment in retail did not end well for the Canada Pension Plan Investment Board, which teamed with private equity partner Ares Management in 2013 to buy high-end luxury retailer Neiman Marcus for US$6 billion. Although industry observers said the underlying real estate including a prime location in Manhattan provided insurance for that bet, CPPIB walked away in September with a "de minimis" equity interest as Neiman emerged from Chapter 11 proceedings in U.S. Bankruptcy Court, and the pension giant said it had not realized any net proceeds from the investment.

Schafer did not rule out Canadian pension investors venturing into retail deals outside the country, as Brookfield has done, given the geographic diversification of Canadian pensions in recent years to reduce risk.

"Even if we don't see them (getting involved) locally in that space, we may see some cross-border activity," she said.

However, she suggested that struggling Canadian retail chains are more likely to find themselves in the arms of a class of domestic investors with a greater risk appetite than their shopping mall landlords, such as family offices and wealthy individuals she's heard are interested in pooling their money to purchase beaten-down retailers.

"I'm hearing a lot of rumblings about opportunistic funds," Schafer said, adding that such accredited investor vehicles would have "a little higher risk tolerance than a pension."

RBC's "Worst Case" For Canadian Real Estate Is A Price Drop Of Nearly 30%

Canada's largest bank is prepared for price drops most would find unthinkable. Royal Bank of Canada (RBC) filings show possible risk scenario forecasts. Over the next year, the base forecast shows virtually flat growth. In a best case scenario, growth would hit levels similar to previous years. In a worst case, they forecast prices can make the biggest drop since the early 1980s.

Macroeconomic Scenario Assumptions

Quick intro to IFRS 9 macroeconomic assumptions for people that aren't in finance, or aren't secret finance nerds. IFRS 9 is a financial reporting standard used by most of the world's banks at this time. One of these standards requires an assessment of risk, using unbiased and possible economic outcomes. Typically three macroeconomic scenarios are used: a base, best, and worst case scenario.

The base, best, and worst cases are what they sound like. The base case is the average scenario you currently expect. The best case is an ideal projection, if everything is perfect. The worst case is the most severe outcome you can realistically expect. The organization needs to be ready for each one of these scenarios.
The forecast numbers are important for each organization's preparedness. Too optimistic, and just a few impairments can result in serious damage. Too negative, and you'll be putting aside way too much capital, placing a drag on company growth. These aren't just random numbers, they're considered reasonable outcomes. That said, let's look at their real estate scenarios.

Base Case: Canadian Real Estate Prices Are Flat

The base case isn't as ambitious as most would guess, and it's actually quite modest. The bank's forecast sees prices rising 0.6% over the next 12-month, with the numbers starting in October. They expect compound annual growth of 4.5% for the following 2 to 5 years. Basically, they see the market as flat in this scenario.

Best Case: Canadian Real Estate Prices Rise 6%

The best case sees lower price growth than we're currently seeing, but not far off. This ideal scenario would see home prices jump 6.1% over the next 12 months. That would be followed by compound annual growth of 11.1%, which is pretty big. It just might not seem huge in comparison to the past few years.

Worst Case: Canadian Real Estate Prices Fall Almost 30%

The worst case scenario is much larger than most banks have acknowledged, but is similar to Moody's worst. The bank forecasts a national price drop of 29.6% over the next 12 months in this scenario. Compound annual growth of about 2.9% would follow in the next 2 to 5 years. Canada hasn't seen such a significant decline at the national level since the early 80s.

Earlier this month, RBC's chief risk officer said he was putting more weight on the downside scenario. However, he didn't use the 29% price decline seen in this economic risk forecast. Instead he said they expect prices to fall around 7%, and remain depressed until late 2023. Reading between the lines, it sounds like they are internally forecasting a worse than expected outcome, but not the worst scenario they've prepared.

ALBERTA

Edmonton city council approves 2021 property tax freeze — the first since 1997

Edmonton city council has approved a property tax freeze for the first time since 1997.

In finalizing the 2021 budget adjustments Friday, council found $64 million in savings to reduce next year's tax levy from the previously-approved 3.2 per cent to provide some economic relief to residents and business owners during the COVID-19 pandemic. The budget passed 12-1 with Coun. Mike Nickel the sole vote in opposition.

But the tax freeze doesn't come without some cuts to city service levels and operations that impact residents.

Transit fares for tickets and passes will increase by two per cent in February, while cash fares will remain at $3.50 until May with further discussion about the proposed increase to be held in the spring. An adult monthly pass will spike to $100 from the current $97 price tag.

Using chemicals instead of manual labour more frequently to control weeds, a $500,000 cut to Edmonton Federation of Community Leagues funding and delaying the opening of outdoor pools into July are a few of about 90 budget changes in an effort to save money.

Mayor Don Iveson said it was a tough budget to get to zero, but felt it was necessary to provide a bit of a break for residents during the pandemic.

"This was a difficult budget. As is the case with many Edmontonians and businesses in our city, this year has been hard financially," he said. "During these trying times, Edmontonians do look to their city for support and for the important and essential municipal services that we provide them."

Some of the proposed cuts to the budget were overturned by council during deliberations Wednesday night with offsetting funding found in the city's reserve as well as a $1.1-million ongoing reduction to the Edmonton Public Library budget.

Council unanimously reinstated the five city recreation facilities that were on the chopping block next year to save $1.2 million next year after significant pushback from local community leagues. Oliver, Scona and Eastglen pools, as well as Oliver and Tipton arenas, will remain in operation, but the city will be working to develop new amenities to serve as replacements for the aging facilities.

Transit service will not be reduced when the new bus network comes online next April, as was initially proposed, and the city will continue to offer its spay and neuter service.

Council also reinstated the $3.75 million community investment operating grant program for next year, using a portion of the $5.5 million diverted from the Edmonton Police Service budget approved in 2018, and city staff have been directed to work on reimagining the program for future years. The police budget for 2021 is $383.8 million.

With the cuts in services come impacts to the city's workforce. Interim city manager Adam Laughlin said 347 full-time equivalent positions will be permanently impacted as the workforce budget dropped by $18.2 million. About 112 current employees will need to be laid off as a result, with the remaining positions vacant. Of the affected employees, 91 per cent will be from union positions.

"The work of every City of Edmonton employee is important and adds significant value to Edmontonians. Any reductions, whether they are staffing or service reductions, will be a loss to someone in our community. This was hard work," said an emotional Laughlin. "Unfortunately, there will be a loss of staff decisions. With the budget now concluded, administration will work through the next steps related to these workforce reductions and we plan to have this completed in early 2021."

Edmonton Chamber of Commerce president and CEO Janet Riopel commended city council for being able to reach the goal of a tax freeze during these difficult times for many families and businesses.

"Businesses and families across our region have had to dig deep and find cost savings throughout the economic downturn, and COVID has only served to compound their struggles. By taking this action, city council has demonstrated they appreciate the challenges job creators and Edmontonians are facing," Riopel said in a statement. "The city has shown flexibility and creativity to achieve this zero per cent increase, and we urge a continued commitment to transformational change in order to make our city more efficient for the long run."

Assessment values and the mill rate for Edmonton's portion of the provincial education property taxes will be determined next year and discussed during spring budget adjustments. As of right now, the city projects residents of a typical $387,000 home would pay $2,538 in property taxes.

BRITISH COLUMBIA

Vancouver's empty home tax is increasing to 3% next year

The empty homes tax in Vancouver will more than double next year, the city announced Wednesday.

Council voted in favour of increasing the tax from 1.25 per cent to three per cent for 2021. The current rate still applies for 2020 declarations, which are due by Feb. 2.

"I'm so glad that council backed my plan to stand up for renters and raise the empty homes tax to three per cent," said Mayor Kennedy Stewart in a news release.

"This groundbreaking tool has helped move thousands of homes back onto the rental market to help house our neighbours, but there are still too many homes that remain empty."

When the tax was first introduced in 2017, it started at one per cent. Then council voted to increase it for the first time in 2019, to 1.25 per cent.

"By tripling the tax from one to three per cent since the tax launched, we're sending an even stronger message that homes are for people, not speculation," Stewart said.

According to the city, $61.3 million in net revenues from the tax has been used to support affordable housing initiatives. Vacant property has decreased by 25 per cent since the tax was introduced in 2017, the city says.

Vancouver property taxes will be hiked the maximum amount recommended in 2021

Homeowners in B.C.'s most populous city will be paying higher property taxes in the coming year.

The City of Vancouver approved Tuesday an operating budget of $1.6 billion for 2021, which includes a five per cent property tax hike.

Council had been asked to consider hikes of three per cent, 4.3 per cent and five per cent. The lower increases would mean fewer city services and projects, and the lowest would mean layoffs, those behind the report suggested.

Councillors opted for the highest hike, which will account for a half per cent property tax change going from non-residential to residential buildings.

Here are some examples of how much more homeowners can expect to pay this year:

- For a single-family home assessed at $1.6 million, taxes will go up by $146;
- Owners of a condo assessed at $688,000 will pay $64 more; and
- A commercial property assessed at $1 million will cost $166 more in taxes.

How much someone actually pays will be based on the assessed value of their property and those nearby, and these estimates are just property tax, and don't include other costs like utility fees and school taxes.

The latest budget is $19 million less than 2020's, or about one per cent lower.

Vancouver Mayor Kennedy Stewart said earlier this year he'd been expecting $60 million from the federal government to help avoid going into debt due to expenses related to COVID-19. Instead, the city will be getting just $16 million from Ottawa.

Initial estimates suggested the only way Vancouver could stay out of debt without going into its reserves was with a 12 per cent property tax hike – an option that was not considered. Instead, the city says it's expecting to use $34 million of reserve funding to offset the budget shortfall.

Stewart noted he felt a seven per cent property tax increase last year was too high, and he did not want to go above five per cent this year.

Even with the increase, some projects and initiatives will be put off, and service impacts are expected.

“You can see where this property tax discussion comes down to. If we go too much lower than five per cent we’ll have to cut services which would include police, library, park board, engineering. So it’s a really tough balance, I think we have hit it," Stewart told CTV News Wednesday.

“I know not all councillors are happy with that, but in the middle of COVID I think we did the best we could do."

NOVA SCOTIA

Interactive CAP map designed to decipher property tax confusion in Nova Scotia

Curious as to whether your property tax bill is too high or too low?

That information is now just a few keystrokes away thanks to a new interactive map of Nova Scotia that allows viewers to quickly check out the assessed value of a given residential property, the taxes currently paid under the Capped Assessment Program (CAP) and the taxes they would pay without the CAP. Map users simply have to hover over a specific property, all colour-coded to indicate whether the owner overpays or underpays, to see all of the relevant information. The map even shows the median household incomes for specific neighbourhoods.

The visual tool is the result of a partnership between the Nova Scotia Federation of Municipalities (NSFM), the Nova Scotia Association of Realtors (NSAR), the Investment Property Owners Association of Nova Scotia IPOANS) and the Association of Municipal Administrators (AMANS).

The unveiling of the interactive property assessment map, which according to one insider was the result of a 'Herculean' effort, comes amid NSFM plans to soon reconvene an all-party committee looking into the removal of the CAP. The committee's work was put on hold earlier this year due to the COVID-19 pandemic and Progressive Conservative Party leader Tim Houston's request that no further action be taken until additional information was made available.

However, NSFM president Emily Lutz, a councillor and deputy mayor for the Municipality of Kings County, said the federation stands by its annual resolutions to have the CAP phased out and that it's time to get back to work on the matter.

"The CAP is a regressive tax policy that systematically favours higher-income households," said Lutz, following the NSFM's annual general meeting earlier this week.

"Structural inequalities call for structural remedies, and with the NSFM's CAP proposal it's time to let the CAP fade away and replace it with an improved structure that actually helps those who are struggling the most."

Cape Breton Regional Municipality veteran councillor and NSFM caucus member Eldon MacDonald echoed the need for a more equitable distribution of the property tax burden.

"Most of the public doesn't understand how it works and they think they are saving money because they are capped when in reality about 60 per cent of the homes in the province would pay less if they were uncapped," said MacDonald, of the long-term proposal to slowly phase out the CAP over a 13-year period.

"So, it's hard to justify keeping the current system in place when it shows that it is so unfairly balanced in regard to property owners. When it changes there's people who are going pay more and there are people who are going to pay less, but the map now shows those things so that people can understand it better."

The CAP dates back to 2005 when the provincial government enacted legislation that placed a limit, or "cap", on how much residential property taxes could be increased annually with the intent of protecting homeowners from sudden and dramatic hikes in property assessment and the resulting tax increase.

CBRM chief administrative officer Marie Walsh has long called for the CAP removal which she said has led to a property tax system that "is no longer explainable or defensible" and that has resulted in a complex and inconsistent system. And she said she is pleased that it is back on the do-to list now that plans are in place for the reconvening of the all-party committee.

"It had to come back to the table for sure," said Walsh, who added that the new interactive map will help residents better understand the CAP scenario.

"There will be people who pay more and people who pay less, but this map will show people exactly where they sit when it comes to their taxes. People are getting better educated on the CAP and I think this map will go a long way toward that."

Walsh said the new CBRM council, which includes eight new councillors, has already been through a CAP briefing.

The chief administrative officer gave a similar presentation two years ago when she outlined the inequities of the present system. At that time, Walsh also suggested that the municipality would be able to lower the property tax rate by 19 per cent if the cap system was eliminated and still bring in the same amount of taxation revenue.

ONTARIO

TRREB Urges Council to Include Appropriate Exemptions in Toronto Vacant Home Tax Debate

With Toronto City Council deciding on how to move forward with a new tax on vacant homes, the Toronto Regional Real Estate Board (TRREB) is asking City Councillors to ensure that their decision is data-driven and results-based, and to make certain appropriate exemptions are included if this tax is implemented.

If City Council approves the current staff recommendations, additional work and approval of the tax details will be conducted during the first half of 2021. Included in this work is identifying appropriate exemptions that should be included. The current City staff report indicates a preference to define a home as vacant only if it is vacant for greater than six months of the year. If City Council moves ahead with this tax, TRREB looks forward to working with City staff in identifying potential exemptions including:

- Principal residences;
- Owners who are unable to rent the property due to market conditions;
- Snowbirds;
- U.S. citizens;
- Legal matters pertaining to court orders prohibiting occupancy;
- Commuters;
- Properties undergoing renovations or ownership changes during the calendar year;
- Owner or other occupier undergoing medical or supportive care; and
- If the owner is deceased and grant of probate or administration pending.

“It is important to ensure appropriate exemptions are put in place for property owners, including principal residences. Moreover, TRREB believes that all housing policy decisions, including whether or not to impose a tax on vacant homes in Toronto, should be evidence-based. As such, it is important to have a clear understanding of the intended purpose and policy objective of a municipal tax on vacant homes in Toronto. Given the current state of the Toronto rental market, the purpose of such a tax is not immediately clear at this time,” said Lisa Patel, TRREB President.

In 2020, year-over-year growth in the number of condominium apartments listed for rent has far outstripped growth in the number of units rented. This trend began in the pre-COVID period and accelerated after the onset of the pandemic in March. The end result has been a dramatic increase in choice for would-be renters and marked year-over-year declines in average rents. Given that the market has already become better supplied and that average rents have adjusted as a result, it arguably may make sense to observe how market conditions unfold over the next year before turning to a non-market mechanism like a vacancy tax in an attempt to achieve more supply in the marketplace.

It is also important to point out that while a vacancy tax may prompt some investors to list their unit for rent, others may simply choose to list their unit for sale. This could especially be the case if they have owned their unit for a number of years, thereby benefitting from a significant gain in value. If this scenario played out en masse, the potential pool of available rental units could actually decline in the City of Toronto.

“TRREB is not opposed to a vacant home tax, and we understand the rationale behind it; however, it is unclear whether it will add rental housing that is affordable or affordable home ownership to the market, at this time,” added Patel.

To assist with these types of tax design features, City staff are recommending studying the creation and governance of an external advisory team consisting of industry experts and academic institutions who can advise the City on evaluating and implementing a potential Vacant Home Tax.

“TRREB has worked closely with City Finance staff to assist with their analysis of the City’s real estate and rental housing markets to help inform the need, or lack thereof, for such a tax. We believe the creation of an advisory team would be of benefit, and we would welcome the opportunity to participate and provide our insights on real estate market conditions,” said John DiMichele, TRREB CEO.

TRREB looks forward to continue providing input on this issue as City Council deliberates on whether and how to move forward with the proposed tax.

Ontario property assessments top $3 trillion in 2020

Ontario's property landscape is changing. The assessed value of all properties in the province is now estimated to be more than $3 trillion. These changes are summarized in the annual assessment rolls, which were delivered to municipalities across Ontario today.

"Even during a pandemic, Ontario continues to grow as evidenced by the $37.3 billion in new assessment across Ontario from new construction and improvements to existing properties," said Nicole McNeill, President and Chief Administrative Officer. "In 2020 Ontario saw more than 36,000 new residential units and 16,000 residential condominium units. And with people spending more time at home this year we saw a 28% increase in the number of renovation permits this year as people invested in making improvements to their homes."

"We valued nearly 1,700 new commercial and industrial buildings across Ontario," added McNeill. "One area that saw substantial growth was the warehousing and logistics sector as we assessed eight new distribution centres with a total value of more than $405 million."

Across Ontario, more than 60% of new property value was located in 10 municipalities. Toronto led the way with $11.65 billion new assessment, followed by Ottawa at $2.68 billion, Vaughan at $1.49 billion, Hamilton at $1.15 billion and Mississauga at $1.14 billion.

In other areas of the province, a major driver of property value was the construction of seasonal properties. Cottages accounted for nearly $600 million in new assessment. Muskoka Lakes had the largest growth with $59 million in new assessment, followed by Lake of Bays with $41 million, Seguin Township with $37 million, Innisfil with $28 million and the Kawartha Lakes with $21 million.

Property values and new assessment numbers for the province continue to be based on January 1, 2016, the valuation date for last province-wide Assessment Update. MPAC updates the current value assessment of every property in Ontario every four years to capture changes to properties and the real estate market. In March, the Ontario government postponed the province-wide Assessment Update that was scheduled for this year.

City mulling tax on vacant homes

Goal isn't to raise revenue, but to create more housing, officials say

The City of Ottawa will look into implementing a tax on homes that are left vacant when they could be housing people, a step Vancouver has taken and Toronto is on the verge of taking.

City council asked staff this week to study whether such a tax would work in Ottawa, and report back in the spring about asking the provincial government for that power.

The Hintonburg Community Association has been tracking the growing number of houses whose doors and windows remain boarded shut, in some cases years after their tenants were evicted.

The association's treasurer Cheryl Parrott has been talking to the city for more than a decade about the safety issues associated with the vacant buildings, but her main concern now is that they're sitting empty during a housing emergency.

Parrott said several of Hintonburg's boarded-up homes are near Tom Brown Arena, which is currently acting as a respite centre for people at risk during the pandemic. Not far from the arena, people left homeless by a rooming house fire last year lived in tents until their encampment was dismantled.

"It's just so morally wrong that we have these boarded buildings that were perfectly good. They were good, affordable buildings, and people were evicted from those buildings," said Parrott. "Now we have people sleeping two blocks away in makeshift shelters."

She understands the buildings might someday be redeveloped, but would like to see them occupied in the meantime.

Last month, Ottawa's chief bylaw officer told councillors the city has 217 addresses on its list of vacant properties.

Raising taxes isn't the goal

Vancouver credits revenue generated by a tax it implemented in 2018 for putting more units back on the rental market. That city's "empty homes tax" charges 1.25 per cent of the assessed value of a property that is neither a principal residence nor rented out for at least six months of the year. That's on top of the property tax the owner already pays.

Toronto mayor John Tory pointed to Vancouver's success when he voiced "strong support" Thursday for his city's own plan to implement a vacant home tax in 2022.

New city report recommends vacant home tax in Toronto

Here in Ottawa, Mayor Jim Watson said his "timely" motion approved this week could spur property owners into "getting their act together and not allowing these buildings to deteriorate to a point where they become a hazard in the community."

If this property were in Vancouver instead of Ottawa, its owner would be on the hook for an 'empty homes tax' of 1.25 per cent on its assessed value, in addition to the property tax they already pay. (Kate Porter/CBC)
The idea isn't to tax snowbirds who leave their homes empty for the winter, nor sellers whose homes sit on the real estate market for months, Watson said, adding any potential revenue would go toward affordable housing.

"I actually hope we don't bring in a lot of money from a vacant property tax," Coun. Jeff Leiper, whose ward includes Hintonburg, said Wednesday. "The goal of a vacant property tax has to be that properties are not vacant and that they're housing people."

Hard to see a downside to Vacant Home Tax in Toronto

Formally endorsed by the Mayor of Toronto this week, the Vacant Homes Tax has been a topic of discussion for a number of years.

Proposed as a way to increase the supply and affordability of Toronto rental housing post-pandemic, the idea is that the city would levy a 1% tax on properties left vacant more than half of the year, therein discouraging property owners from leaving their properties sitting empty and presumably incentivize them to rent them out.

Based on a 1% vacancy rate, it’s estimated the proposed tax would generate $55-$66 million per year.

It’s a good idea, one that has already proven effective in Vancouver — another Canadian city facing the unique challenge of an incredibly tight, unaffordable housing market coupled with and exacerbated by its enduring appeal to foreign investors. We followed their lead on implementing a foreign buyers tax and, love it or hate it, it definitely slowed down the deluge of foreign investment that was driving up prices.

Since implementation in 2018, Vancouver has seen a 25% reduction of empty homes in the city and generated tens of millions of dollars in additional revenue. Canada Mortgage Housing Corporation estimates the tax in combination with other market forces has helped bring 5,000 condos to the rental market. That is both substantial and significant on all fronts.

Vacant homes exist in cities and towns all across the country and always have. At issue here is how, if at all, those vacant homes impact the surrounding real estate market.

In cities like Toronto and Vancouver where affordability is a concern, houses sitting empty is a problem. And while a tax like this would apply to the house you and your siblings inherited from Aunt Gladys but haven’t figured out what to do with yet, who this will predominantly impact is foreign investors, who, up until now, may not have felt much of an incentive to put their vacant real estate into the rental pool.

There are actually floors upon floors of apartments sitting empty in downtown condominiums. Known as “ghost hotels,” these are largely owned by investors that in many cases have never so much as set foot in them. This is a problem for a whole host of reasons, not the least of which is the negative implications for other owners in the building who find themselves and their investment tied to a building with a low proportion of owner occupants and the strange atmosphere that tends to result.

We've probably all observed this in action — houses sitting empty and growing increasingly derelict for years, owned by someone, somewhere, with plans to sit on it until they need to liquidate some cash. For example, an entire stretch of adorable bungalows on Duplex Ave., near Yonge St. and Eglinton Ave., sat empty for years while a developer bought them up, one by one, before finally breaking ground on a condo tower and townhouse complex.

There are currently houses along Bathurst St. in downtown Toronto sitting empty, waiting for the developer to get going. This is not uncommon. This is who needs incentivized.

The reality is this won't impact the vast majority of us. It will largely affect the people with pockets deep enough to own multiple properties in one of the most expensive cities in North America that they simply can't be bothered to tenant.

Will it succeed in bolstering the supply of affordable housing in the city? Who knows. Will it generate revenue for a cash-strapped city as it grapples with and recovers from COVID-19? It will. Hard to see a downside.

Author of the article: Brynn Lackie

Toronto's proposed vacant homes tax an attack on property owners

The City of Toronto is once again threatening a vacant homes tax.

As Bryan Passifiume reported, "the HousingTO 2020-2030 action plan resurrects the possibility of placing a levy on empty, unoccupied homes and condos in the city."

The drive behind the move is that housing demand outstrips supply in Toronto and housing is expensive.

Mayor John Tory says, "In Vancouver (the tax) has led to thousands of additional units of housing coming back into the marketplace. You also have to take into account that neighbourhoods and condo buildings become less healthy and less safe as is the case when you have many empty condos/houses. We get complaints about that."

What does a 1% tax mean? Based on the cost of housing in Toronto, if you own a home that no one lives in at the moment, you will pay thousands of dollars in new taxes.

It also means, based on experience in Vancouver that the value of everyone's home will drop.

That might be welcomed by people wanting to buy, but it is actually the government attacking people who already own; people who count on home value as part of their retirement.

City Hall doesn't pay the mortgage, or the electric bill and private property rights should be better respected by elected officials than they are.

Also, based on Vancouver, once that tax is in place it is easy and tempting for them to raise it. Vancouver did so by 25%.

At a time when everyone's freedoms are under attack it is an egregious bridge too far for the city to further erode the concept of private ownership and the rights of homeowners.

There are better ways to solve problems than to use a tax. Drop the stick and pick up a carrot.

Landlords are afraid to rent out their properties because in Ontario once a bad tenant gets in, refuses to pay rent or causes damage, the owner is met with many months of frustrating bureaucratic foot-dragging before the situation is resolved.

I know a couple who own one condo unit. They are not big property owners. Their tenant is $15,000 in arrears and it has taken 8 months to get a second date to talk about it with bureaucrats.

Landlords feel that government defers too much on the side of the tenant over the person with the investment.

Fix that. Restore landlord rights and confidence.

Attack the supply and demand issue by cutting red tape.

Real estate developer Tridel wrote of municipal planning, "it takes five years to do municipal comprehensive review so delays from policy alignment are a reality. Zoning updates could take another three years on top of that."

An Ontario government report, "Increasing Housing Supply in Ontario," reads, "Government-imposed costs also make it more difficult and expensive to develop new housing. There is a need to balance efforts to lower the costs of development with building and maintaining vital public infrastructure."

Make it easier to rent out a basement suite.

Help people get in to homes by adopting a practice from the United States that allows homeowners to deduct mortgage interest costs from personal income tax.

Better, safer neighborhoods are built with caring policy, not a boot in the butt.

Taxes are not supposed to be a weapon for lazy policy makers.

SASKACHEWAN

Updates made on property revaluation in Saskatchewan for 2021

Updates are being made to the percentage of value being applied to certain properties in Saskatchewan for the upcoming revaluation.

For 2021, the percentage of value for commercial, industrial, elevator, railway, resource and pipelines will be 85 per cent.

It was set at 100 per cent in 2017 for the previous revaluation.

“This change improves tax fairness by narrowing the range of percentages of value that apply to property assessments,” said Government Relations Minister Don McMorris.

“The adjustment also recognizes the COVID-19 challenges faced by businesses and industries so they remain competitive to help create jobs for Saskatchewan families.”

Percentages from 2017 remain unchanged for other properties:

- Non-arable (range or pasture): 45 per cent.
- Other (cultivated) agricultural land: 55 per cent.
- Residential, multi-unit residential and seasonal residential: 80 per cent.

Under provincial legislation, all property must be revalued every four years. For 2021, the base date for assessment is Jan. 1, 2019.

Government officials said this ensures assessed values are more current with changing property values.

The assessed value of the property is multiplied by the percentage of value to set its taxable assessment.

That figure is multiplied by the mill rate set by municipalities to determine the amount of property tax owed.

It is also used by the province to set the education tax.