



P.O. Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

**Item No. 15.1.4**  
**Halifax Regional Council**  
**March 5, 2024**

**TO:** Mayor Savage and Members of Halifax Regional Council

**SUBMITTED BY:** Original Signed

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Cathie O'Toole, Chief Administrative Officer

**DATE:** October 15, 2023

**SUBJECT:** **Establishment of Vacant Lot Tax Within Service Boundary**

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**ORIGIN**

August 22, 2023 Halifax Regional Council:

THAT Halifax Regional Council direct the Chief Administrative Officer (CAO) to provide a staff report:

2. The establishment of an empty lot tax within the service boundary.

MOTION PUT AND PASSED. (14 in favour, 1 against)

**LEGISLATIVE AUTHORITY**

*Assessment Act*, section 4 as follows:

4. Subject to the exemptions in Section 5, all assessable property and business and residential occupancy assessments are liable to taxation for all purposes for which municipal taxes and rates are levied by authority of law.

*Halifax Regional Municipality Charter* (Halifax Charter), subsections 94(1), 96(1)(2)(3)(4) and (7), as follows:

94 (1) The Council shall set separate commercial and residential tax rates for the area of the Municipality determined by the Council to be

- (a) a rural area receiving a rural level of services;
- (b) a suburban area receiving a suburban level of services; and
- (c) an urban area receiving an urban level of services.

96 (1) The Council may spend money in an area, or for the benefit of an area, for any purpose for which the Municipality may expend funds or borrow.

(2) The Council may recover annually from the area the amount required or as much of that sum as the Council considers advisable to collect in any one fiscal year by an area rate of so

much on the dollar on the assessed value of the taxable property or occupancy assessments in the area.

- (3) The Council may provide
  - (a) a subsidy for an area rate from the general rate in the amount or proportion approved by the Council;
  - (b) in the resolution setting the area rate, that the area rate applies only to the assessed value of one or more of the taxable commercial, residential or resource property and occupancy assessments in the area.
- (4) The Council may, in lieu of levying an area rate, levy a uniform charge on each
  - (a) taxable property assessment;
  - (b) dwelling unit, in the area.
- (7) The area rate referred to in this Section may be different on commercial property and business occupancy assessments than on residential and resource property.

### **RECOMMENDATION**

It is recommended that Halifax Regional Council request the Province of Nova Scotia amend the *Halifax Regional Municipality Charter* to grant Council the authority to impose an additional residential property tax, based on assessed value on empty residential lots that are located within the areas of the Municipality, and following the inclusion criteria designated by Council.

### **BACKGROUND**

Amendments to the *Charter* would be required for HRM to implement a vacancy tax. The purpose of this report is to outline the options for a vacancy tax program, to assist Council in determining whether to request legislative amendments.

Vacancy tax, underused housing tax, vacant home tax, or empty homes tax are policies being used in cities across Canada which are designed to discourage holding vacant unutilized properties which are not being lived in or rented out. This is intended to take some pressure off the housing market and reduce the number of vacant residential dwellings. Typically, most of these taxes are targeted only towards non-Canadian residents but Canadian residents can be included as well. Some jurisdictions are using the funds generated from these taxes to directly fund affordable housing initiatives.

This type of tax is relatively new in Canada and was first introduced in Vancouver in 2017. The taxes are levied through a mandatory annual declaration process, which forces all property owners to declare their residency status, types of property owned, how the property is being used, and if any special exemptions apply. Based on the answers to these questions, it is determined whether a vacancy tax will apply for the relevant tax year. Failing to complete the declaration either comes with a penalty, or automatically deems the property to be considered vacant and applies the relevant tax rate.

Although there are a growing number of examples of vacant home tax being levied across the country, there are currently no known examples of a similar charge being levied on vacant residential land. This is likely because most bigger cities do not have a significant number of vacant unutilized residential land properties within urban areas like Halifax does.

In terms of tax power, for the general tax rate for residential properties, Council is required to set the tax rates for the area Council determines to be:

- the rural area receiving a rural level of services;
- a suburban area receiving a suburban level of services; and
- an urban area receiving an urban level of services.

In addition to the general tax rates, Council may:

- set an area rate for residential or commercial properties, or both, based on assessed value of the taxable property in the area; or
- levy a uniform charge on each taxable property assessment or dwelling unit in the area.

Within the urban service boundary, all residential properties pay the same residential tax rates. For a uniform charge or area rate, **all properties** in the area would pay the area rate based on the assessed value or the uniform charge.

## **DISCUSSION**

### **Assessment and Residential Cap**

Vacant residential lots are assessed as residential, not resource, by PVSC. As a result of this assessment, and the eligibility criteria copied below, many vacant residential properties are enrolled in the assessment cap program and as a result are levied less property tax than their market value would otherwise dictate. This has inadvertently made it cheaper and easier for many owners of vacant residential lots, which could be used to build residential dwellings, to hold onto these lots and leave them undeveloped.

Cap Eligibility – Below is an excerpt from PVSC’s website regarding the eligibility for the assessment cap program:

“CAP eligibility requirements are set by the Nova Scotia Assessment Act and cannot be amended by PVSC. Eligible properties are:

- At least 50% owned by a Nova Scotia resident.
- Residential property with less than four dwelling units or vacant resource property. For the CAP, residential properties include manufactured homes, manufactured home parks, cooperative housing, and the residential or resource portions of a commercial farm.
- Occupied by the owner, if the property is a condominium.
- Owned for at least a year, or ownership remained within the family.

The CAP is removed for the year following the sale of a property, unless it was purchased from a family member (spouse, child, grandchild, great grandchild, parent, grandparent or sibling). If eligibility criteria are met, the calculation of the new owner’s CAP will begin the next year.

Commercial properties, new construction, non-owner-occupied condominiums, properties that have been purchased from a non-family member within the last year, and properties that are majority owned by out-of-province residents are not eligible for the CAP.”

### **Experience in Other Canadian Regions**

The idea of a vacant homes tax is still relatively new in Canada, and as a result there are few jurisdictions that have thus far implemented the tax. The only city to have implemented a program before 2023 was Vancouver, which brought it in in 2017. When Vancouver implemented the tax in 2017, it levied a 1% tax on the taxable assessed value of a property which has been vacant for 183+ days in a calendar year. In 2020 the tax rate was increased to 1.25%, with a further increase to 3% in 2021. The rate was scheduled to increase to 5% in 2023, however staff recommended maintaining the rate at 3% and not increasing it further due to the concern that further increases would lead to increases in fraud and false declarations and the need for more audit/enforcement resources, while not leading to a more meaningful decrease in vacancies. A full cross Canada scan is summarized in table 1 below.

**Table 1: Canadian Vacant Homes Tax Summary**

Jurisdiction	Vacancy Period	Resident Status	Tax	Non-declaration	Date
			Amount	penalty	Implemented
Federal Government	183 days	Foreign Ownership	1.00%	\$ 5,000	2022
British Columbia Government	183 days	Foreign Ownership	0.50%	\$ -	2018
9 Districts	183 days	Foreign Ownership	2.00%	\$ -	2019
6 Additional Districts in 2024	183 days	Canadian Residents / Citizens	0.50%	\$ -	2019
Vancouver	183 days	All Ownership	1.00%	\$ 250	2017
	183 days	All Ownership	1.25%	\$ 250	2020
	183 days	All Ownership	3.00%	\$ 250	2021
Toronto	183 days	All Ownership	1.00%	\$ 250	2023
Ottawa	184 days	All Ownership	1.00%	\$ 250	2023
Hamilton	184 days	All Ownership	1.00%	\$ 250	2023

Currently, Peel region, York region, and Niagara Falls in Ontario are all exploring the implementation of a vacant residential property tax.

Municipal staff in London, Ontario recommended against the implementation of a vacant residential property tax in a 2022 report, stating that it would likely cost the city more to implement the tax than it would be expected to generate in tax revenue. This revenue disparity would get worse as the supply of vacant homes decreased once the program was rolled out. As a result of this report, Council voted to hire an outside consultant to assess the feasibility of this program<sup>1</sup>.

### **Boundary Considerations and Property Exclusions**

When considering what properties should potentially be included in the boundary of an empty lot property tax, there are many potential criterion; which include available utility services such as water service, wastewater service, and storm water service, as well as size of the property, available property uses, road service, city services, and development/building permit status, which all impact the ability to develop residential housing in a given area, and for a reasonable cost.

The most cost effective and practical solution to developing and applying the boundary for a potential vacant lot tax would be to follow existing tax boundaries, rather than service boundaries. To try and follow utility or various other service boundaries would add a layer of high complexity to the implementation, as it would require substantial manual intervention and work hours to develop and program this boundary for the purposes of taxation and billing.

To deviate from established taxation boundaries would also require additional staff time to upkeep and monitor for changes and future additions. It may also conflict with the current structure of the Halifax Charter, subsection 94(1), which states that Council may impose commercial and residential tax rates for the separate areas determined to be receiving rural, suburban, and urban levels of services. To overlap sections of these three distinctive tax boundaries without including all properties in a vacant lot tax may challenge this by applying the charge unevenly to properties receiving the same level of municipal services.

Geographically speaking, moving outside of the urban taxation boundary causes more complexities to emerge in terms of the number of properties currently being used for a variety of other non-residential purposes, such as holding boat houses, sheds, parking structures, or other non-dwelling structures, as well as private driveways, legal rights-of-way, and other land challenges including waterways, marshland, and

<sup>1</sup> [Staff report pours cold water on vacancy tax idea for London | CBC News](#)

floodplains. All of these would pose a challenge to a property owner to build a residential dwelling on it and would be difficult to identify by staff.

As such, staff would recommend using the existing urban property tax boundary as the boundary for a vacant lot tax. Depending on the initial success of this new tax policy, the program could be broadened at a later date to include the suburban or rural tax boundary or have the inclusion criteria modified to further customize the program and which properties are subject to the tax.

If the vacant lot tax is intended to encourage landowners to develop their vacant property in a way that utilizes the space to support housing; there should be an exception put in place to exempt properties from the tax which have development permits in some stage of approval or application. This is a common practice among the Canadian jurisdictions that have vacant dwelling tax in place<sup>2</sup>. Some consideration should also be given to properties that contain buildings/dwellings which are unoccupied and intended to be demolished at some point in the future. This could potentially be used to avoid a vacant lot tax, and incentivize not demolishing old buildings, which could slow the eventual development of new dwellings and housing space.

A summary of the vacant residential property inventory is provided in table 2 below sorted by lot size.

**Table 2**

Vacant Land Tax Boundary	Size (SQ FT)	Residential	
		Property Count	Assessment - 2023
Urban	0-2499	250	8,453,900
	2500-3499	136	17,029,600
	3500+	2,411	275,882,000
Suburban	0-2499	30	220,200
	2500-3499	11	54,300
	3500+	579	44,908,800
Rural	0-2499	245	1,569,600
	2500-3499	123	1,145,300
	3500+	8,412	317,266,200
		<b>12,197</b>	<b>\$ 666,529,900</b>

\*Missing properties have no size designation included

If the authority is granted by the Province, and Regional Council decides to adopt an empty lot tax, Council will need to agree on where the empty lot tax would apply, as well as what factors or situations would lead to a vacant property being excluded from the tax, such as minimum lot size, lots that are prevented from development by infrastructure constraints, and other potential issues, as noted above. These would be identified in more detail in the drafted legislation.

**Revenue, Tax Rate and Cost of Implementation**

The potential net revenue to HRM which could be generated by a vacant lot tax within the urban tax boundary could be significant. The revenue potential based on the number of vacant lots in the three tax boundaries, at the total taxable assessed value and various potential tax rates is summarized in table 3 below. As other Canadian jurisdictions have identified and experienced through implementation of a vacant home tax, there is a risk that the revenue in future years of the program will decline, as property owners use the incentive to develop or occupy dwellings to avoid the tax.

<sup>2</sup> [Evidence and exemptions - Empty Homes Tax | City of Vancouver](#)

Table 3

Residential					
Vacant Land Tax Boundary	Property Count	Assessment - 2023	Tax Rate		
			1%	2%	3%
Urban	2,845	\$ 308,923,300	\$3,089,233	\$ 6,178,466	\$ 9,267,699
Suburban	643	\$ 48,418,600	\$ 484,186	\$ 968,372	\$ 1,452,558
Rural	8,858	\$ 322,893,100	\$3,228,931	\$ 6,457,862	\$ 9,686,793
	<b>12,346</b>	<b>\$ 680,235,000</b>	<b>\$ 6,802,350</b>	<b>\$ 13,604,700</b>	<b>\$ 20,407,050</b>

The recommended tax rate by staff at program initialization is 1%. This would bring the program in line with the majority of the vacant home tax rates being levied by jurisdictions across Canada. Once the program has been successfully implemented, the tax rate could be increased in future fiscal years to increase revenue generation and further incentivize landowners to develop or utilize vacant lots.

There would be an initial cost to program the new vacant lot tax into various internal software systems, including the property tax billing software TRM, training the 311 call-centre, and implementing an appeals program where landowners could apply for an exemption if they feel they do not meet the criteria of the program. There would also be an ongoing cost associated with staff time required to administrate the program. This would include requirements such as producing the vacant property list annually, programming the list of applicable properties into the property billing software, annual program reviews and revisions, education on the program, providing program financial analysis, managing the appeals and complaints, coordination with P&D to determine build permit status of each lot for possible exclusion, and many other items.

The estimated cost of implementation is around \$100,000 and the estimated cost of ongoing administration is \$50,000. These costs would net against the estimated program revenue.

### Data Challenges

PVSC assessment roll data contains many omissions and errors in the property data due to the size and complexity of the database. There are properties containing various forms of dwellings are registered as having 0 dwellings. This can include trailer parks, apartments built above business/commercial space, and properties that simply have errors in the data. Most properties that are designated as vacant land by PVSC also contain a description which notes it as land. This, however, is also missing on some vacant property records. There is also a delay on identifying build permits and applications on property. These data integrity issues could cause some properties to be included in the vacant lot tax incorrectly. For this reason, there would need to be an appeals process for property owners which are erroneously levied the tax.

### Appeals Process

An appeals process will need to be established, which would allow property owners who have been levied the vacant lot tax, to appeal it if they feel that their property does not meet the intended criteria for the tax. This could include properties which have been levied the tax in error do to mistakes in the PVSC data, have a development plan/application in place for the property, or have geographic/physical barriers in place that would make it impractical if not possible to develop residential housing on the property.

### Unintended Consequences

There are several potential unintended consequences that may occur with the implementation of this tax program.

- If lot owners own empty property next to their residential home property, creating a “double lot”, they may apply to have the properties consolidated into one to avoid the tax. This would prevent

the property from being developed.

- Natural disasters such as fire and flood may destroy existing residential dwellings on property which would create a vacant lot, but also a financial hardship for the owner.
- A vacant lot tax may incentivize undesirable developments, simply to avoid paying the tax.

### **FINANCIAL IMPLICATIONS**

At the recommended 1% rate, a vacant lot tax would generate approximately \$3.1M using 2023/24 assessment data. This is offset by the estimated cost of implementation which consists of \$100,000 in year 1, and the estimated ongoing cost of administering the program totaling approximately \$50,000 per year.

### **RISK CONSIDERATION**

No risks identified.

### **COMMUNITY ENGAGEMENT**

No community engagement was performed at this time.

### **ENVIRONMENTAL IMPLICATIONS**

No environmental implications were identified.

### **ALTERNATIVES**

Halifax Regional Council could choose to:

1. Not approve the recommendation and not request the required amendments to the Halifax Charter.
2. Request additional information.

### **ATTACHMENTS**

None.

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A copy of this report can be obtained online at [halifax.ca](http://halifax.ca) or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Daniel Freeman, Senior Financial Consultant, Finance & Asset Management,  
902.399.8397  
Kenzie McNeil, Manager, Financial Policy, Finance & Asset Management, 902.579.4129

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