



*Ste. 146, 207 Bank Str., Ottawa ON K2P 2N2*

Feb. 28, 2022

Members of the City's Finance & Economic Development Committee (FEDCO)  
City of Ottawa

Dear Members of FEDCO:

**Re. FEDCO Consideration of the Residential Vacant Unit Tax Report  
at the March 1, 2022 meeting of FEDCO**

I am writing on behalf of the Federation of Citizens Associations (FCA) which represents 74 community and citizen groups in the City of Ottawa, regarding FEDCO's consideration of the Residential Vacant Unit Tax Report, and wish to bring to your attention the following concerns:

1. The staff report lists a number of organizations that were consulted regarding the development of this report. Unfortunately the FCA, whose membership consists mostly of home-owner associations, was not. As the proposed Residential Vacant Unit Tax could affect 330,000 residential properties in the city, this is a serious oversight.
2. The purpose of this proposed Residential Vacant Unit Tax is to ensure that residential properties are being used for their intended purpose (as residences), in order to discourage speculation that contributes to higher property values. It is not clear that Ottawa has a problem with residential property speculation nor that such a tax would prove effective in reducing or ameliorating rising house prices. We are not aware that a cost/benefit analysis of imposing this tax has been done.
3. Our biggest concern is the use of negative option billing as the means of applying the Residential Vacant Unit Tax. Negative option billing, where the onus is on the consumer to apply to be exempt from paying imposed charges, is very unpopular with consumers and with just cause. That is why there are very few examples where this approach has been proven successful. Residential property owners will object to having a residential tax of 1% of assessed value being imposed on them, particularly if the process to become exempt from this tax is onerous. Imposing a "late fee" of \$250 on those who find themselves having to prove they are exempt

only adds salt to the wound.

4. City staff are proposing that notices to homeowners to declare themselves exempt will be sent November 22, 2022, January 23, 2023, and with the interim tax bill. The period to declare an exemption from this tax runs from the first business day in January to the third Thursday in March. The “late” period runs from the third Friday in March to the end of April, and a homeowner seeking to correct his/her assessment would have to pay \$250 during this period, or be assessed the tax. The City staff report states that most applications for exemptions (over 300,000) will occur online.
5. Councillors will be aware that not every homeowner uses or has access to the internet. Councillors will be aware that many homeowners have their property taxes paid through their financial institution and may not receive the notice. We expect that many homeowners will not be aware that failure to file an exemption with the City could lead to the imposition of a tax at 1% of their homes assessed value (\$4,000 or more in many cases) or having to pay \$250 to prove they should be exempt from this tax. Councillors should realize that they will receive complaints from homeowners in these situations.
6. Should the City decide to pursue the Residential Vacant Unit Tax proposal it should insert into the process a notice mailed to those homeowners who have been identified as candidates to have this tax imposed on them by virtue of not applying for an exemption by the third Thursday in March, indicating their status and informing them of the process to avoid having this tax imposed on them. The deadline to respond to such a notice should be the end of April, after which a late fee could be imposed. If City staff are correct that the bulk of homeowners will have responded by the third Thursday in March, then this extra step will not be costly and will reduce the incidence of complaints and corrections.

In conclusion, while the goal of penalizing residential housing speculation may be laudable, the means being recommended to implement this tax is not. City Council would be wise to tread carefully in imposing a negative option billing approach to homeowners, many of whom will not qualify for such a tax.

Yours truly,



Alex Cullen  
President FCA

Cc City Council  
Joseph Muhuni, Deputy City Treasurer