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To: ["Direct to Mayor and Council - DL"](#)
CC: ["City Manager's Correspondence Group - DL"](#)
["Impey, Patrice" <Patrice.Impey@vancouver.ca>](mailto:Patrice.Impey@vancouver.ca)
Date: 11/21/2020 1:43:47 PM
Subject: Memo: EHT annual report and report back on council motion
Attachments: empty-homes-tax-annual-report Nov 2020.pdf
EHT VT Memo to Council - Report Back on EHT_Draft.pdf

Dear Mayor and Council,

The attached memo contains an update on the Empty Homes Tax. The purpose of the memo is to:

- 1) provide a copy of the 2019 EHT annual report (will be made public on the city website on Nov 24) along with key summary highlights of the report
- 2) updates to the Council motion on Nov 27, 2019 on the Review of Fairness and Effectiveness of EHT
- 3) updates on the late declaration status of 2017 & 2018 tax years
- 4) concerns raised by UDI

Should you have any questions regarding the above, please feel free to contact me or Patrice Impey at Patrice.Impey@vancouver.ca or 604-873-7610.

Best,
Sadhu

Sadhu Aufochs Johnston | City Manager
Office of the City Manager | City of Vancouver
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Pronouns: he, him, his



The City of Vancouver acknowledges that it is situated on the unceded traditional territories of the Musqueam, Squamish, and Tsleil-Waututh peoples.

Empty Homes Tax Annual Report

January 1, 2019 to December 31, 2019 Tax Year

Activity to November 1, 2020



CONTENTS

Introduction	1
Background	1
The Purpose of the Empty Homes Tax	1
Vancouver Declarations: Vacancy and Geographic Data	2
Monies Raised	4
Conclusion	7
Appendix: Key EHT Program Indicators	8

INTRODUCTION

The City of Vancouver created the Empty Homes Tax (EHT), also known as the Vacancy Tax, to help return empty and under-utilized properties to the market as long-term rental homes for people who live and work in Vancouver. This is one of many actions in the City's 10-year Housing Vancouver Strategy. The EHT, the first of its kind in North America, is intended to help relieve pressure on Vancouver's rental housing market, which at 1% rental vacancy has among the lowest rental vacancy rates and the highest rental costs of any Canadian city (2019 CMHC Rental Market Report). With 53% of Vancouver households renting rather than owning (as of the 2016 Statistics Canada Census), low vacancy and high rents have real impacts on whether renters earning low and moderate income can afford to live and work in the city. Net revenues received from the tax must be reinvested in affordable housing initiatives across the city.

BACKGROUND

On November 16, 2016, Vancouver City Council approved the EHT program and enacted the Vacancy Tax By-law No. 11674 (EHT by-law) to levy a tax on empty and under-utilized class 1 residential properties within the City of Vancouver. As required in the Vancouver Charter, the EHT by-law requires the Collector of Taxes to prepare an annual report regarding the EHT which must include the amount of money raised by the EHT and how such monies were, or are intended to be, used.

Homes that are declared, determined or deemed to be empty are subject to a tax of 1% of the property's assessed taxable value. Starting with the 2020 vacancy reference period, under City Council's direction, the tax will increase to 1.25% of the property's assessed taxable value.

Most residential properties are not subject to the tax, including homes that are principal residences for at least six months of the year; homes that are rented out for at least six months of the year; or homes that are eligible for one of eight exemptions as set out in the EHT by-law.

In order to determine which properties were subject to EHT, all homeowners were required to make an EHT declaration for the 2019 reference period by February 4, 2020, confirming the status of their property as occupied, exempt or vacant. As all revenue and compliance activity related to the reference period occurs in the following year, this report includes revenue from compliance activities up to November 1, 2020.

PURPOSE OF THE EMPTY HOMES TAX

The EHT works in conjunction with a suite of actions that the City is taking to increase housing supply and to ensure that renters have access to safe, secure, and affordable rental housing in Vancouver. The City has committed to monitoring the effectiveness of the EHT as well as other actions to address housing affordability in its Housing Vancouver Annual Progress Report and Data Book. Recent reports can be accessed at: vancouver.ca/housing-strategy.

Who is subject to EHT?

The EHT applies to properties that are not being used as principal residences or rented for at least six months of the year, and do not qualify for one of the eight exemptions outlined in the EHT by-law. A residential property that is rented or serves as a principal residence for an owner or permitted occupier (such as a family member) is not intended to be subject to EHT.

Is the Empty Homes Tax working?

Isolating the effect of a single policy like the EHT in a housing market as dynamic as that of the city of Vancouver is challenging. However, City staff have noted positive trends. We monitor the following key performance indicator trends:

- Number of properties required to declare
- Change in vacant and exempt properties
- Breakdown of exemptions by type
- Change in number of tenanted properties
- Occupancy status of previously vacant properties
- Assessed value of properties subject to EHT

Data to date on these indicators and a discussion on trends since the EHT was launched in 2017 is available in the data appendix to this report. There is also external data pointing to the impact of EHT on Vancouver's rental housing supply. The 2019 Rental Market Report from CMHC observed a shift toward long-term rental in Vancouver's condominium stock, with an increase of 5,920 condominium units in the long-term rental stock between their surveys in 2018 and 2019¹. CMHC notes that this shift coincides with the implementation of policies like EHT in the city of Vancouver.

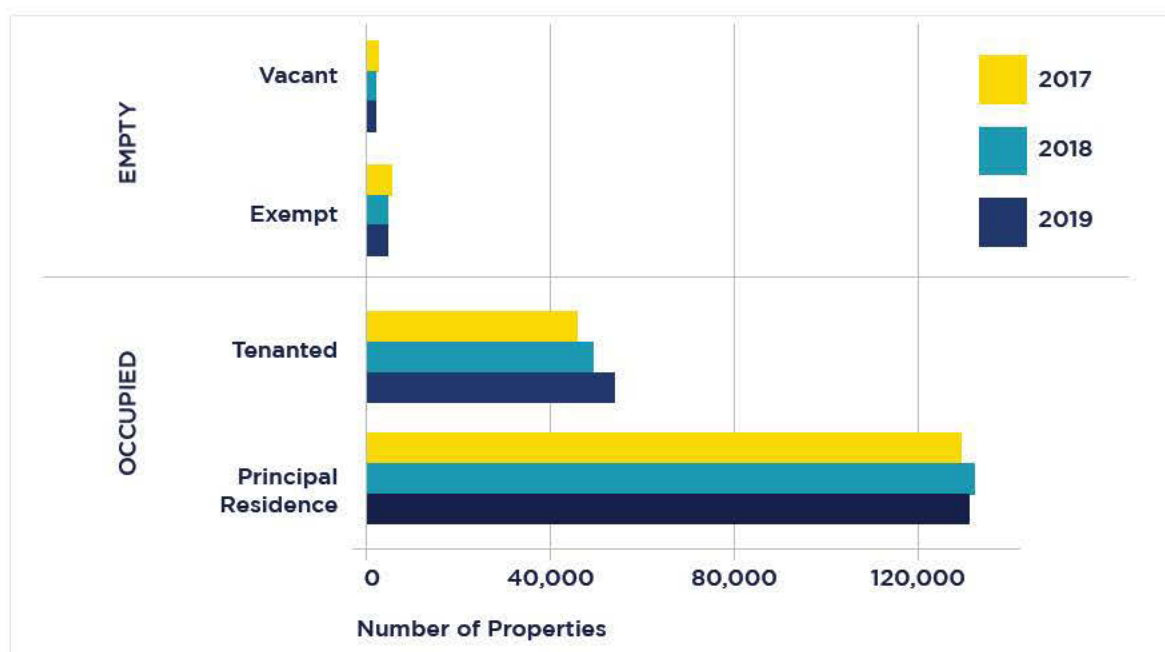
¹ Differences in data collection methodology for rented condominiums in the CMHC Rental Market Report may not always align with EHT property status data.



VANCOUVER DECLARATIONS: VACANCY AND GEOGRAPHIC DATA

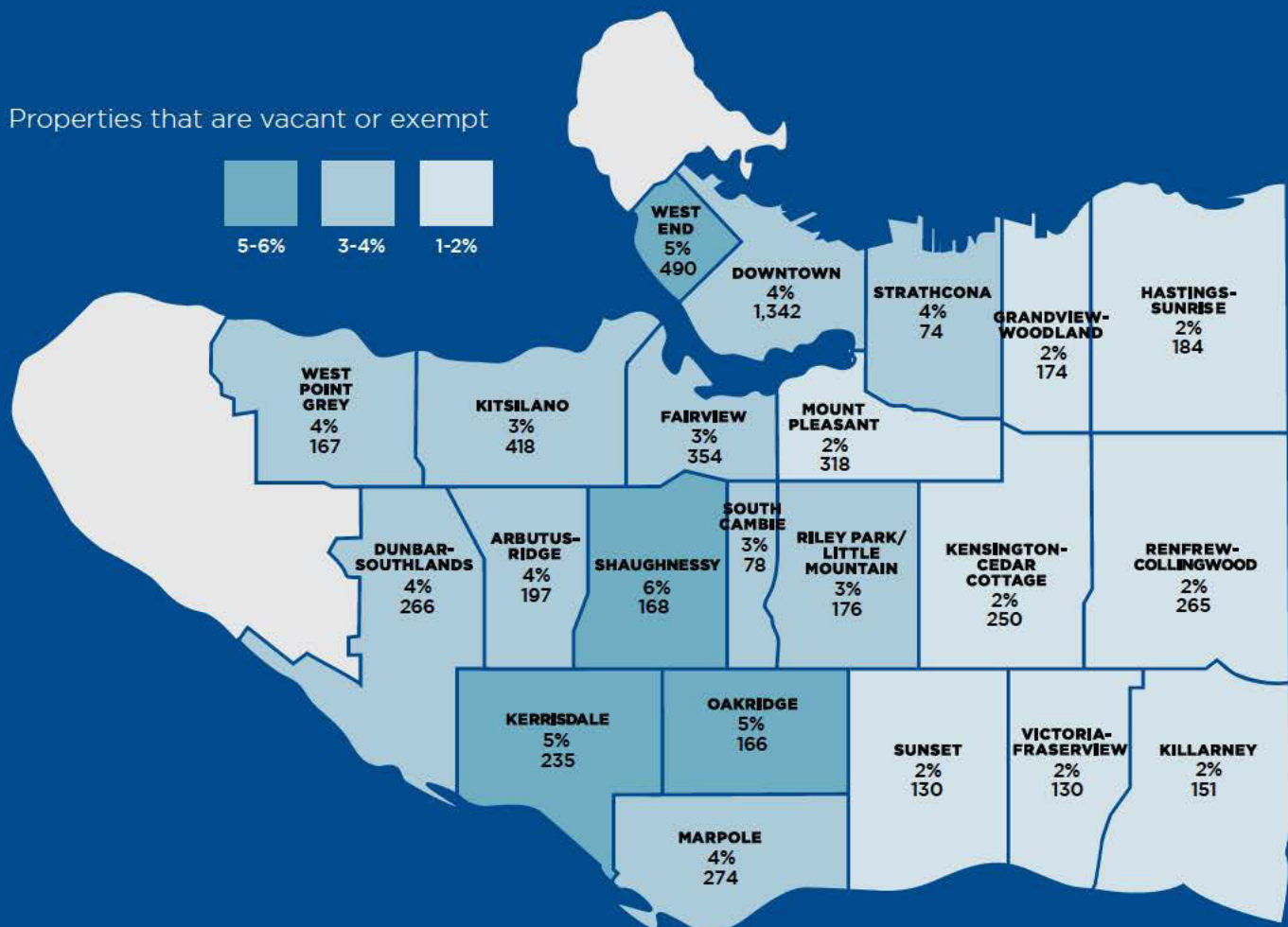
Property Status: 2017 to 2019 Tax Reference Years

	2017	2018	2019
EMPTY			
Exempt	5,383	4,256	4,132
Vacant	2,538	1,989	1,893
OCCUPIED			
Principal Residence	131,347	132,815	132,042
Tenanted	46,770	50,102	54,050
Total	186,038	189,162	192,117



2019 EHT VACANT & EXEMPT PROPERTIES

(6,025 TOTAL - SHOWN AS PERCENTAGE OF TOTAL/NUMBER OF PROPERTIES)



Similar to the prior year, the majority of exempt and vacant properties are condominiums, which account for 57% of combined exempt and vacant properties.

Aligning with the high density of condominiums in the downtown core, the largest number of vacant and exempt properties was recorded in Downtown Vancouver. Shaughnessy recorded the highest percentage of unoccupied properties, relative to the number of residential properties in the neighbourhood that were required to declare.

MONIES RAISED

Revenue

	2017 \$ Millions	2018 \$ Millions	2019 \$ Millions
Revenue (Tax Levy)	\$38.0	\$39.4	\$36.0
Revenue (Penalties and Fines)	\$1.1	\$1.8	\$1.9
Collected	\$33.6	\$23.3	\$27.9

Revenue decreased in 2019 compared to 2018 as the number of vacant properties went down, and also due to tax reversals resulting from City Council's approval to implement a one-time extension of the declaration deadlines for the 2017 and 2018 vacancy reference years. Annual revenue for each year is estimated at November 1 even though late declaration and audit activities continue for a longer time period. Additional revenue after November 1, 2020 will be included in next year's revenue results.

If a payment for an EHT tax notice is not made by December 31 of the year levied, outstanding amounts may be added to the owner's property tax account and start accruing interest of approximately 7% starting January 1 of the following year.



Audit activities

Using a risk-based approach, as well as random audits, the EHT program has a goal of verifying property status declarations and encouraging compliance with the by-law.

The EHT by-law equally applies to all property owners; therefore, all property status declarations are subject to the audit process, in line with best practices for provincial and federal tax programs. Audits completed from the period November 2, 2019 to November 1, 2020 are outlined below, along with a comparison to the prior year ending November 1.

	Period to November 1		
	2018	2019	2020
Total Audits Completed	6,231	8,457	9,310
Non-compliant Audits	331	892	722
Non-compliance Rate	5.3%	10.5%	7.8%

Property owners who were found to be non-compliant were invoiced for the EHT. Revenue generated from audit activities during the period from November 2, 2019 to November 1, 2020 was \$18.2 million. Owners found non-compliant in their audits have the opportunity submit a Notice of Complaint. If they are unsuccessful in their complaint, owners may request a review by an external review panel. Many audits are still in progress and additional audits relating to the 2019 reference year may be initiated in the future. As a result, revenue generated from audit activities may be adjusted in future years.

Complaints

Complaints received were primarily triggered in instances where property owners had failed to make their declaration on time, or where property owners were in disagreement with their audit determination. In order to contest the EHT invoice they received, these property owners were required to submit a Notice of Complaint.

Total complaints completed by the vacancy tax review officer to November 1, 2020, are as follows:

	Period to November 1		
	2018 *	2019	2020*
Accepted	1,207	346	403
Rejected	252	237	156
Total	1,459	583	559

* Most of the accepted complaints related to property owners who were originally deemed vacant because they failed to make a declaration.

Property owners whose complaints were rejected were required to pay the tax or request a review of their case from the external review panel.



Late Declarations

In 2017, the first year of EHT, property owners who missed the declaration deadline were required to submit a Notice of Complaint and provide evidence to support that their property was occupied or exempt in order to have the tax rescinded. In 2018, the City created a late declaration process that allowed property owners to submit a late declaration online without having to file a Notice of Complaint. The deadline to make a late declaration for the 2017 and 2018 vacancy reference periods was December 31, 2018 and December 31, 2019, respectively. In May 2020, Council approved a one-time extension for late declarations not submitted by the original 2018 and 2019 deadlines to December 31, 2020. As of November 1, 2020, 229 late declarations for 2017 and 2018 have been received via the Notice of Complaint process and of the 186 completed, 95% were determined to be exempt or occupied based on evidence provided, resulting in the tax being rescinded.

Review panel

Total reviews completed by the external vacancy tax review panel from November 2, 2019 to November 1, 2020, are as follows:

	Period to November 1		
	2018	2019	2020
Accepted	8	35	14
Rejected	39	95	44
Total	47	130	58

All review requests go to an independent external panel for a property status determination. This is the last appeal stage to determine the property status and the status determined by the review panel is considered final. The review panel activities are ongoing. For reviews that were accepted, the tax was rescinded.

USE OF FUNDS

Since the inception of the Empty Homes Tax, \$61.3 million has been allocated to support a variety of affordable housing initiatives to increase the supply and affordability of social housing and to support renters.

In addition, the revenue collected to date is sufficient to cover the one-time implementation costs of \$7.5 million and estimated annual operating costs of \$2.5 million.

Money collected from the EHT is first allocated to cover annual operating costs with the remainder being available for initiatives respecting affordable housing.

The information and table below summarize the funding allocation for additional EHT amounts collected in the current reporting period (Nov 2, 2019 to Nov 1, 2020).

Community Housing Incentive Program (CHIP)

The \$25 million 2019-2022 Community Housing Incentive Program provides non-profit housing providers with grants to deepen the level of affordability of social and co-op housing projects.

The program is a key way to deliver on the goals of the Housing Vancouver Strategy by supporting the work of local non-profits, who play an important role in both operating and delivering affordable housing to low-income households.

The grants aim to put non-profit and co-op housing providers in a strong position to attract other funds, including federal and provincial funding programs. Each grant provides a capital contribution towards the development of non-profit or co-op housing projects, resulting in deeper affordability.

In June 2020, City Council approved four CHIP capital grants totaling \$8.7 million towards the construction of 269 social housing units located across the city. In November 2020, Council approved a further \$3.2 million towards the construction of an additional 137 social housing units.

CHIP grants help achieve the 10-year Housing Vancouver target of 12,000 new social and supportive housing units and prioritize deeper levels of affordability and emphasis on alignment with City housing and strategic objectives. The capital grants are payable after building permit issuance following execution of a grant agreement and confirmation of funding sources. The developments also require registration of Housing Agreements securing all units as social housing for the greater of 60 years or the life of the building.

An additional \$2 million will be added to the 2019-2022 Capital Plan to support additional CHIP Grants from EHT revenue collected in the current reporting period.

Land Acquisition/Development opportunities

The City continues to look for opportunities to work with partners to acquire or develop housing opportunities on City land as well as respond to new senior government funding programs. It is recommended that \$8 million be added to the housing capital budget to enable more housing on City land to support the delivery of the Housing Vancouver Strategy priorities and targets.

EHT FUNDING AVAILABLE FOR THIS REPORTING PERIOD*:

Priority	Project Description	Funding Allocation \$ millions
Acquire or provide land and resources for affordable non-profit and co-op housing	Multi-year housing capital grants, as part of the Community Housing Incentive Program (CHIP) to deepen affordability of social housing and meet affordability targets in the Housing Vancouver Strategy	2.0
	Land acquisition / development opportunities	8.0
	Funding for staff working on affordable housing projects	3.7
Emerging initiatives		1.0
TOTAL:		\$14.7

* Funds available for allocation are net of allowance for refunds and EHT administration expenses.



CONCLUSION

Since the Empty Homes Tax launched, we've continued to use our key performance indicators to measure the program's effectiveness in tackling our city's housing crisis. In the 2019 reference year there has been encouraging progress made on these indicators, including another year-over-year increase in tenanted properties. Staff continue to work on initiatives that aim to improve living conditions and increase the supply of affordable housing, as part of the broader set of actions set out in the City's 10-year Housing Vancouver Strategy.

For additional information on the EHT program, please visit vancouver.ca/ehf.

DATA APPENDIX

As part of the EHT Annual Report, staff report on several indicators related to performance of the tax on key metrics, including the number of properties converted from vacant to occupied; the number of new properties reported as vacant; and the number of properties declared as tenanted. These indicators were developed in partnership with housing policy experts.

Indicator	Key Trends
1. Number of properties required to declare	Increase in properties required to declare EHT <ul style="list-style-type: none"> The number of Class 1 residential properties required to declare increased by 1.6% (2,955 properties) between 2018 and 2019; this is driven by new properties being added to the BC Assessment tax roll.
2. Change in vacant and exempt properties	Reduction in vacant and exempt properties from 2018 to 2019 <ul style="list-style-type: none"> In 2019, 6,025 properties were vacant or exempt (3.1% of all properties); this is 220 fewer units than in 2018 (3.5% reduction) and 1,896 fewer units than 2017 (23.9% reduction) In 2019, 1,893 properties (approximately 1.0 % of all properties) were vacant; this is 96 fewer units than in 2018 (4.8% reduction) and 645 fewer units than in 2017 (25.4% reduction)
3. Breakdown of exemptions by type	Property transfer is the largest exemption category, followed by renovation and strata rental restriction <ul style="list-style-type: none"> The majority (40%) of exempt properties in 2019 claimed the property transfer exemption; 34% claimed the renovation exemption, and 14% claimed the strata rental restriction exemption Most properties (68%) claiming transfer in 2019 were condos; most properties (80%) claiming renovation were single family homes
4. Change in tenanted properties	Increase in tenanted properties from 2018 to 2019 <ul style="list-style-type: none"> There was a net increase of 3,948 tenanted properties between 2018 and 2019; this includes a net increase of 3,394 tenanted condominiums and 1,085 single family homes, and a decrease of 531 other property types. This data doesn't provide insights on basement/secondary suites – since a tenanted single family home could refer to a fully rented house or just a rented suite in an otherwise empty home We also see significant flows between categories in and out of tenanted – indicating overall that this stock is less secure than purpose built rental
5. Occupancy status of previously vacant properties	2018 vacant properties converted to occupied in 2019 <ul style="list-style-type: none"> Of the 1,989 vacant properties in 2018, 41% were occupied in 2019 (24% tenanted, 13% principal residences, 4% principal residences of a permitted occupant and 2% no longer required a declaration)
6. Average assessed value of vacant property vs. all properties	Vacant property has a higher assessed value than properties overall <ul style="list-style-type: none"> For 2019, the average assessed value of a vacant condo (\$1.5M) is 59% higher than the average condo (\$0.9M) The average assessed value of a vacant single family home (\$3.5M) is 52% higher than the average single family home (\$2.3M) Overall the average assessed value of vacant properties was \$1.9M compared to the average value of \$1.6M for all properties

DETAILED DATA

Indicator #1: Number of properties required to declare¹

Indicator	2017	2018	2019	2018 to 2019 Change	
Condo	95,734	98,566	101,525	2,959	3.0%
Single Family Including Duplex	80,687	80,638	80,683	45	0.1%
Other	9,617	9,958	9,909	-49	-0.5%
TOTAL	186,038	189,162	192,117	2,955	1.6%

Indicator #2: Change in vacant and exempt properties

Number of vacant and exempt properties by property type

Condo	2017	2018	2019	2018 to 2019 Change	
Vacant	1,981	1,535	1,447	-88	-5.7%
Exempt	2,750	2,082	2,006	-76	-3.7%
TOTAL	4,731	3,617	3,453	-164	-4.5%

Single Family	2017	2018	2019	2018 to 2019 Change	
Vacant	458	370	358	-12	-3.2%
Exempt	2,271	1,843	1,773	-70	-3.8%
TOTAL	2,729	2,213	2,131	-82	-3.7%

Other	2017	2018	2019	2018 to 2019 Change	
Vacant	99	84	88	4	4.8%
Exempt	362	331	353	22	6.6%
TOTAL	461	415	441	26	6.3%

¹ Housing categories were developed by grouping BC Assessment Use Codes. Duplexes are included in the single family category, and row houses are included in the condominium category. Other includes non-stratified multi-unit buildings and other miscellaneous codes e.g. strata parking stalls and vacant lots

Indicator #3: Breakdown of exemptions by type

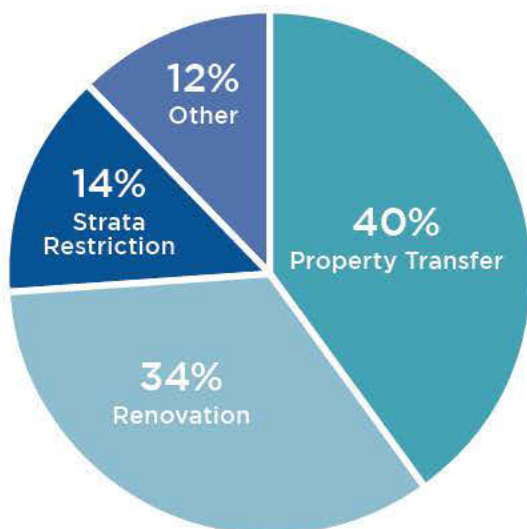
Breakdown of properties by property type that qualified for an exemption:

Condo	2017	2018	2019	2018 to 2019 Change	
Property Transfer	1,629	1,173	1,131	-42	-3.6%
Redevelopment/ Renovation	101	96	100	4	4.2%
Strata Restriction	536	606	574	-32	-5.3%
Other	207	207	201	-6	-2.9%
TOTAL	2,473	2,082	2,006	-76	-3.7%

Single Family	2017	2018	2019	2018 to 2019 Change	
Property Transfer	805	493	508	15	3.0%
Redevelopment/ Renovation	1,195	1,193	1,141	-52	-4.4%
Strata Restriction	1	0	0	0	0.0%
Other	120	157	124	-33	-21.0%
TOTAL	2,121	1,843	1,773	-70	-3.8%

Other	2017	2018	2019	2018 to 2019 Change	
Property Transfer	28	17	22	5	29.4%
Redevelopment/ Renovation	156	157	179	22	14.0%
Strata Restriction	0	1	1	0	0.0%
Other	106	156	151	-5	-3.2%
TOTAL	290	331	353	22	6.6%

Breakdown of properties that qualified for an exemption in 2019:



Indicator #4: Change in tenanted properties

	2017	2018	2019	2018 to 2019 Change	
Condo	28,809	31,086	34,480	3,394	10.9%
Single Family	10,549	11,309	12,394	1,085	9.6%
Other	7,412	7,707	7,176	-531	-6.9%
TOTAL	46,770	50,102	54,050	3,948	7.9%

Indicator #5: Occupancy status of previously vacant properties**Current status of 2018 vacant properties:**

Status	2019
Principal Residence	341
Tenanted	470
Occupied Total	811
Exempt	206
Vacant	941
Declaration not required	31
Total	1,989

Current status of 2017 vacant properties:

Status	2019
Principal Residence	686
Tenanted	862
Occupied Total	1,548
Exempt	219
Vacant	721
Declaration not required	50
Total	2,538

Indicator #6: Average assessed value of vacant property vs. all properties

	Vacant 2019	All Properties 2019	% Higher Assessment
Condo	\$1.5M	\$0.9M	59%
Single Family	\$2.3M	\$1.2M	52%
Total	\$1.9M	\$1.6M	17%



For More Information:

Visit: vancouver.ca

Phone: 3-1-1 TTY: 7-1-1

Outside Vancouver: 604-873-7000

Hỏi chi tiết Obtenga Información

資料查詢 ਜਾਣਕਾਰੀ ਲਵੋ 3-1-1

MEMORANDUM

November 23, 2020

TO: Mayor and Council

CC: Sadhu Johnston, City Manager
Paul Mochrie, Deputy City Manager
Karen Levitt, Deputy City Manager
Lynda Graves, Administration Services Manager, City Manager's Office
Gail Pickard, Acting Director, Civic Engagement and Communications Director
Rosemary Hagiwara, Acting City Clerk
Anita Zaenker, Chief of Staff, Mayor's Office
Neil Monckton, Chief of Staff, Mayor's Office
Alvin Singh, Communications Director, Mayor's Office
Sandra Singh, General Manager, Arts, Culture & Community Services
Gil Kelley, General Manager, Planning, Urban Design & Sustainability
Dan Garrison, Assistant Director, Housing Policy and Regulation
Francie Connell, Director, Legal Services & City Solicitor
Iain Dixon, Assistant Director, Legal Services
Julia Aspinall, Director of Financial Services

FROM: Patrice Impey
General Manager, Finance, Risk and Supply Chain Management

SUBJECT: 2019 Empty Homes Tax Annual Report, Update on Motion to Report Back on Review of Fairness and Effectiveness of the Empty Homes Tax, and Other Updates

Dear Mayor and Council,

The purpose of this memo is to provide the following:

- 1) The 2019 Empty Homes Tax ("EHT") Annual Report, as contained in Appendix A, and a summary of the report highlighting the key impact indicators and, revenue and expenditures to date;
- 2) Update to the motion passed at the Council meeting on November 27, 2019 on the Report Back on Review of Fairness and Effectiveness of the Empty Homes Tax (RTS 13389);

- 3) Update on the status of 2017 and 2018 late declarations following Council's approval of acceptance of notices of complaint for late property status declarations until December 31, 2020 (RTS 13608); and
- 4) Issues raised by the Urban Development Institute (UDI)

1. 2019 EHT Annual Report

The EHT annual report is required to be prepared under the *Vancouver Charter*, and it is posted to the City of Vancouver website no later than December 1 each year pursuant to the provisions of the Vacancy Tax By-Law. Regular updates on EHT property status declarations, audits, and use of EHT revenue are part of the EHT annual report.

EHT Revenue and Expenditures

The amount of EHT revenue raised to support affordable housing since the inception of EHT is \$61.3 million (\$14.7 million allocated in current reporting period and \$46.6 million in prior periods) and is comprised of amounts collected to date, less program setup costs, operating costs, and allowances. Available EHT funds have either been allocated or will be allocated through Council reports or the operating and capital budget plans. The recommended allocation is consistent with the Vancouver Charter requirement that EHT net revenues be spent on initiatives respecting affordable housing.

In \$ Millions	2017	2018	2019
Revenue (Tax Levy)	\$ 38.0	\$ 39.4	\$ 36.0
Revenue (Penalties & Bylaw Fines)	\$ 1.1	\$ 1.8	\$ 1.9
Collected	\$ 33.6	\$ 23.3	\$ 27.9

Revenue levy decreased slightly in 2019 compared to 2018 as the number of vacant properties went down and due to tax reversals processed up to this reporting period; resulting from City Council's approval to extend the declaration deadlines for the 2017 and 2018 vacancy reference years to December 31, 2020.

\$14.7 million is available in this reporting period to fund new recommended affordable housing initiatives including:

- \$2 million to support additional Community Housing Incentive Program (CHIP) grants. The CHIP supports our non-profit and co-op partners to deepen affordability in new social/co-op housing projects, and deliver on the affordability targets set out in the Housing Vancouver strategy.
- \$8 million be added to the Housing capital budget to enable more housing on City Land to support the delivery of the Housing Vancouver strategy priorities and targets.

- \$4.7 million for staffing resources to work on affordable housing projects and emerging initiatives.

Key trends from the 2019 EHT annual report:

Trend	Details
1. Reduction in vacant and exempt properties	<ul style="list-style-type: none"> - In 2019, 6,025 properties were vacant* or exempt (3.1% of all properties); this is 220 fewer units than in 2018 (3.5% reduction) and 1,896 fewer units than 2017 (23.9% reduction) - In 2019, 1,893 properties (approximately 1.0 % of all properties) were vacant*; this is 96 fewer units than in 2018 (4.8% reduction) and 645 fewer units than in 2017 (25.4% reduction)
2. Increase in declared tenanted properties	<ul style="list-style-type: none"> - There was a net increase of 3,948 tenanted properties between 2018 and 2019; this includes a net increase of 3,394 tenanted condominiums and 1,085 single family homes, offset by decrease of 531 other property types. - There was a net increase of 3,332 tenanted properties between 2017 and 2018; this includes a net increase of 2,277 tenanted condominiums and 760 single family homes.
3. Vacant* properties converting to occupied	<ul style="list-style-type: none"> - Of the 1,989 vacant properties in 2018, 41% were occupied in 2019 (tenanted or principal residence). - Of the 2,538 vacant properties in 2017, 61% were occupied in 2019.
* Declared, deemed (undeclared), or determined (through compliance) vacant.	

Additional detail on trends is available in the 2019 EHT Annual Report Key Indicators in Appendix A.

Analysis of the types of properties currently subject to EHT indicates that the majority of properties paying the tax are high-value condominiums, with the bulk of the remainder made up of single family homes. Of the condo properties paying EHT, 59% have a higher average assessed value at \$1.5 million (average for all condos is \$0.9 million), and of the single family properties, 52% have a higher average assessed value at \$2.3 million (average for all single family homes is \$1.2 million).

2. Update on the Council Motion to Report Back on Review of Fairness and Effectiveness of the Empty Homes Tax RTS 13389 (November 27, 2019)

Below is an update on the progress to date regarding Resolutions contained within Council's November 27, 2019 motion pertaining to the Review of Fairness and Effectiveness of the Empty Homes Tax (RTS 13389).

THEREFORE BE IT RESOLVED THAT City Council direct staff to review and report back the below:

- A. THAT Council approve amendments to Vacancy Tax By-law No. 11674 (the "Vacancy Tax By-law") as described in the Report dated November 15, 2019, entitled "Report Back on Review of Fairness and Effectiveness of the Empty Homes Tax" and instruct the Director of Legal Services to bring forward for enactment a by-law to amend the Vacancy Tax By-law generally as set out in Appendix A of the above-noted Report.

Update

Council approved amendments, no further action required.

- B. THAT Council receive for information the results of the Empty Homes Tax consultation with key experts, stakeholders, and members of the public as contained in Appendix B of the Report dated November 15, 2019, entitled "Report Back on Review of Fairness and Effectiveness of the Empty Homes Tax".

Update

No further action is required as this was received for information.

- C. THAT Council receive for information the 2018 Empty Homes Tax Annual Report, including key impact indicators and a summary of expenditures to date, as contained in Appendix C of the Report dated November 15, 2019, entitled "Report Back on Review of Fairness and Effectiveness of the Empty Homes Tax", with future Annual Reports to be posted on the City of Vancouver website.

Update

No further action is required as this was received for information.

- D. THAT Council instruct staff to request an information sharing agreement between the City and the Province, as represented by the Ministry of Finance, pursuant to the provisions of the Provincial Speculation and Vacancy Tax Act.

Update

The Provincial Speculation Tax applies more broadly to areas outside Vancouver and aims to reduce housing speculation in the BC housing market in order to provide homes for people who live and work in B.C. The Province released initial data on its Speculation and Vacancy Tax declarations in September 2019, which showed that 1,904 properties in Vancouver had declared as non-exempt for the 2018 tax year. The Province has not yet released data on specific properties subject to the tax; however, it is likely that some properties subject to EHT are also subject to the Provincial Speculation Tax.

For the 2018 tax year, all properties subject to the Provincial Speculation Tax were taxed at a rate of 0.5% of the assessed value of the property. This rate increased to 2% for the 2019 tax year for foreign owners and satellite families.

The Province has not released any data on the Speculations and Vacancy Tax for 2019, or any data regarding any audit work performed to date.

Since the November 2019, discussions have been initiated with the Province regarding an information sharing agreement; however, the Province has advised that they do not currently have sufficient resources to pursue an agreement.

Next Steps

Staff plans to follow up with the Province in early 2021 to re-start discussions to pursue an information sharing agreement in 2021.

- E. THAT Council direct staff to further explore the creation of a new category of residential property under the Vacancy Tax By-Law for split-class buildings where the residential portion of the buildings is classed as class 1 residential and designated as Single Room Accommodation ("SRA-designated") under the SRA By-law, and report back to Council on this potential amendment to the Vacancy Tax By-law in a future report back on the SRA By-law.

Update

On October 7, 2020, the General Manager of Arts, Culture and Community Services (ACCS) provided a status update regarding this council directive in their report (RTS 13744) to Council, "SRO Revitalization Update and 2019 Low Income Housing Survey":

"As part of the ongoing refinement of the application of the Empty Homes Tax, staff were directed by Council at the end of 2019 (RTS#13389) to further explore the creation of a new category of residential property under the Vacancy Tax By-Law to apply the tax to vacant SROs. Prior to the Covid-19 Emergency, ACCS staff had undertaken internal policy analysis and review to better understand how extending the vacancy tax application to both Class 1 residential and split-class residential (Class 1 and 6) SRA buildings could be operationalized.

Currently, four of the city's ten vacant SROs are classified as class 1 residential, and of these, only one is subject to the EHT. Given that the majority of the City's private SROs are split-class, with both a commercial and residential component, a new class of buildings could potentially encourage re-opening of vacant buildings while discouraging disinvestment and the purchasing of vacant SRAs on a speculative basis. Some of the currently vacant buildings have been closed due to government orders, which is currently an exempt category under the broader Vacancy Tax By-Law. In light of the impact on staff time in responding to the Covid-19 emergency in the DTES, staff have not been able to undertake the required analysis of this policy change and its effectiveness in increasing access to low income housing. Staff see an opportunity to align the work and consultation required in recommendation C, and expect to bring a recommendation back in Spring 2021."

Next Steps

Staff will work with ACCS to complete the internal policy analysis to better understand how extending the vacancy tax application to both Class 1 residential and split-class residential (Class 1 and 6) SRA buildings could be operationalized in 2021 and expect to report back to council in Q2 2021.

- F. THAT Council direct staff to further explore the creation of a new category of residential property under the Vacancy Tax By-Law for split-class property where the residential portion of the property is classed as class 1 residential which includes improvement over land, and the remaining portion of the property is classed as class 8 recreation/non-profit which includes, in whole or in part, some form of community garden or public park space, and report back to Council on this potential amendment to the Vacancy Tax By-law.

Update

City staff has been notified by BC Assessment that certain residential properties with improvement on land (e.g. a single family detached home) have applied for split class by turning a relative small portion of land into community garden. Staff is not aware of similar situations before as class 8 tax rate is typically higher than class 1 tax rate (2019 – class 8 \$3.8629 vs. class 1 \$2.56116).

Staff has been monitoring the number of properties which are classified as split class 1 and 8. As the number of properties remains low (82 properties) at this time, staff does not recommend the creation of a new category of residential property under the Vacancy Tax By-law for split-class property where the residential portion of the property is classed as class 1 residential which includes improvement over land, and the remaining portion of the property is classed as class 8 recreation/non-profit which includes, in whole or in part, some form of community garden or public park space.

Next Steps

Staff will continue to monitor the number of properties classified as split class 1 and 8 and may, in the future, recommend the creation of a new category of residential property under the Vacancy Tax By-Law for split-class property where the residential portion of the property is classed as class 1 residential which includes improvement over land, and the remaining portion of the property is classed as class 8 recreation/non-profit.

- G. THAT Council instruct the Director of Legal Services to prepare a further amendment to the Vacancy Tax By-law to be brought forward for enactment in Q1 2020 to increase the rate of the Vacancy tax to 1.25% for the 2020 tax year and, following the results of additional monitoring, increase the rate to 1.5% for the 2021 tax year, and to 1.75% for the 2022 tax year. In addition, staff use any additional revenues to increase the focus on compliance as recommended by the housing policy experts, work with the province on enforcement and data sharing, and invest in housing for households with an annual income of less than \$50,000.

Update

On January 21, 2020, the 1.25% amendment to the by-law was enacted by Council and is effective for the 2020 vacancy reference year, with property status declarations due on February 2, 2021

Next steps

Staff will be reporting back to council on November 25, 2020 with respect to the 2021 tax rate increase.

- H. THAT Council direct staff to further explore and report back on options to enhance the clarity and transparency of Empty Homes Tax information on the City of Vancouver website.

Update

In 2020, staff completed a comprehensive review of the EHT information provided on the City of Vancouver website and made a number of updates and changes to enhance the clarity and transparency in 2020, including:

- Reduction in duplication of information on multiple pages to minimize risk of inconsistency
- Improved clarity of verbiage for both occupied and exempt property statuses
- Improved clarity of verbiage regarding the evidence required for both occupied and exempt property statuses
- Improved transparency and clarity regarding the audit, complaint and external review processes
- Reorganization of webpage table of contents to improve transparency (e.g. improve visibility on how to submit a request for external review and start a refund processes).
- Provided direct links to all of the amendments to the Vacancy Tax-Bylaw
- Provided direct links to reports and presentation to Council

The 2020 declaration portal will open in late-November and will be updated to include the new exemption in Section 3.9 of the Vacancy Tax By-Law for “Combined period of redevelopment or renovation and occupation by tenant”. This exemption applies to properties which were tenant-occupied and also unoccupied to redevelop or safely carry out major renovations to the property for which permits have been issued by the City for a combined period of at least six months during the vacancy reference period.

Next Steps

Staff plan to regularly review and update the website as needed, and at least annually to determine whether additional changes are required to enhance the clarity and transparency of the EHT website.

- I. THAT Council direct staff to further explore and report back at an In Camera meeting on options with respect to late declarations made in good faith after the normal deadlines to initiate an appeal and/or hear complaints and reviews have passed.

Update

Council enacted an amendment to the Vacancy Tax By-law to extend the late property tax status declarations for 2017 and 2018 tax years to December 31, 2020, and subsequent tax years to the second business day in July of the year following the regular declaration deadline. An update with further details on the late property status declarations for 2017 and 2018 is provided in the next section of this memo.

3. Late Property Status Declarations for 2017 and 2018

On November 27, 2019, Council approved a motion directing staff to report back to Council with options with respect to late declarations made in good faith after the normal deadlines to initiate an appeal and/or hear complaints and reviews have passed.

On May 12, 2020, staff reported back to Council with options and Council approved an amendment to the Vacancy Tax By-law to approve an extension for late property status declarations for the 2017 and 2018 vacancy reference years to December 31, 2020. The amendment was enacted on May 26, 2020.

Since the amendment was enacted, 248 notices of complaints have been filed by property owners to make a late property status declaration for the 2017 and 2018 vacancy reference years.

Of the 248 notices of complaint filed to November 11, 2020, 197 have been completed and 51 are still in progress. 94% of the completed complaints were determined to be occupied or exempt based on the evidence provided, resulting in the tax being rescinded.

\$2.2 million of vacancy tax has been refunded to undeclared property owners who had previously paid the tax. In addition, \$0.1 million of vacancy tax penalty has been refunded.

There are still 973 undeclared properties for 2017 and 2018. All undeclared property owners have received a letter communicating Council's decision to extend the deadline to December 31, 2020. Further outreach is in progress to undeclared property owners who had previously contacted the City to submit a late declaration, but who have not yet filed a notice of complaint.

	2017	2018	Total
Undeclared as at May 12, 2020	763	458	1,221
Notices of Complaint Filed	(177)	(71)	(248)
Undeclared as at November 11, 2020	586	387	973

4. Urban Development Institute (UDI) Concerns

Recently, the City has had meetings with UDI representatives and members, where various concerns have been raised by UDI on the EHT and its impact on developers, including newly constructed and unsold inventory, vacant undeveloped land and the broader perspective of taxes on land development. In addition, UDI has requested clarification of the City's definitions and interpretations of specific terms in the renovation and redevelopment exemption in the Vacancy-Tax Bylaw.

Staff has been monitoring the concerns raised by UDI and to date, there has not been evidence to show that EHT is having a detrimental impact on unsold inventory in the City of Vancouver. CMHC data indicates that the level of unsold inventory in the City remains low, even in recent months during the Covid-19 pandemic. Staff will continue to monitor and requested UDI to

provide further information and data to support any concerns relating to changes in the market or impacts due to COVID.

Next Steps

Staff review EHT on an ongoing basis to enhance the clarity and fairness of the tax and ensure that implementation is aligned with the overall objectives of the EHT. There is also ongoing work to improve the City's development process, such as the current Development Process Review in PDS. Staff will continue to engage UDI on these and other initiatives as they move forward.

Staff will put together an interpretation bulletin to address the inquiries UDI has raised with respect to the interpretation of the Vacancy Tax Bylaw. The bulletin will be made available on the City website and a copy will be provided to UDI.

Conclusion

This memo has provided Council with 1) a copy of the 2019 annual Empty Homes Tax annual report and summary of key highlights, 2) updates to the Council motion on November 27, 2019 on the Review of Fairness and Effectiveness of the Empty Homes Tax and 3) status on the late declarations for 2017 and 2018 tax years, and 4) concerns raised by the Urban Development Institute.

Should you have any questions regarding the above, please feel free to contact me at 604-873-7610 or at patrice.impey@vancouver.ca.

Best Regards,



Patrice Impey
General Manager, Finance, Risk and Supply Chain Management/ CFO

Attach EHT Annual Report as Appendix A