

**From:** "Johnston, Sadhu" <Sadhu.Johnston@vancouver.ca>  
**To:** "Direct to Mayor and Council - DL" <CCDTMACDL@vancouver.ca>  
**CC:** "City Manager's Correspondence Group - DL" <CMCG@vancouver.ca>  
"Lee, Esther" <esther.lee@vancouver.ca>  
"Impey, Patrice" <Patrice.Impey@vancouver.ca>  
**Date:** 10/5/2017 5:18:24 PM  
**Subject:** MEMO - Empty Homes Tax  
**Attachments:** 20171005143620170.pdf

Greetings Mayor and Council,

Please see the attached Memo from Patrice Impey, on a response to a letter from the group of Second Home owners that are opposed to the Empty Homes Tax (EHT). Below is a short summary:

- The letter was addressed to Patrice Impey and copied to Gil Kelley.
- It made a number of statements regarding the impact of EHT on second home owners and income taxes.
- The EHT team engaged EY to review those statements and EHT concluded the interpretation is incorrect.
- We were not asked to respond to the letter and we do not provide tax advice. As such there is no reply however we wanted to be sure Mayor and Council were aware of the feedback from EY.

Should you have any questions, please contact Patrice Impey at [Patrice.Impey@vancouver.ca](mailto:Patrice.Impey@vancouver.ca) / 604.873.7610 or Esther Lee at [Esther.Lee@vancouver.ca](mailto:Esther.Lee@vancouver.ca) / 604.873.7080.

Best,  
Sadhu

**Sadhu Aufochs Johnston** | City Manager  
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**MEMORANDUM**

October 05, 2017

TO: Mayor and Council

CC: Sadhu Johnston, City Manager  
Paul Mochrie, Deputy City Manager  
Janice MacKenzie, City Clerk  
Lynda Graves, Manager, Administration Services, City Manager's Office  
Rena Kendall-Craden, Director, Communications  
Kevin Quinlan, Chief of Staff, Mayor's Office  
Katie Robb, Director, Communications, Mayor's Office  
Naveen Girn, Director of Community Relations, Mayor's Office

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

SUBJECT: Empty Homes Tax

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Dear Mayor and Council,

This memo is in regard to the letter from Rainer H. Borkenhagen, dated August 2, 2017 which was forwarded to Mayor and Council (copy attached). The letter was addressed to me with a copy to Gil Kelley. Mr. Borkenhagen represents a coalition that opposes the Empty Homes Tax (EHT) and is primarily concerned with the potential impact on owners of second homes in Vancouver.

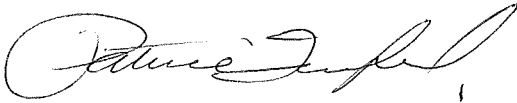
His letter outlines a hypothetical example of a homeowner who converts a personal use property to rental use (in order to be exempt from the Vacancy Tax) and indicates that rent revenues would not cover additional expenses. As well, Mr. Borkenhagen purports the conversion to rental use would result in a "deemed disposition" under Canada Revenue Agency (CRA) rules and therefore be subject to the Capital Gains tax.

The EHT project team have consulted with Ernst & Young who have confirmed that Mr. Borkenhagen's application of the CRA deemed disposition rule is incorrect. If it is a second home there would not be a deemed disposition on the change in use (personal to rental), therefore there would not be any capital gains impact.

Mr. Borkenhagen did not request a specific response, and in any event, the City is not in a position to provide income tax advice to citizens of Vancouver. As such, the EHT Project Team will not be responding directly to this inquiry but wanted you to be aware of the issue and of Ernst & Young's evaluation of the letter should you be contacted.

If you have questions please do not hesitate to call me or Esther Lee.

Best Regards,

A handwritten signature in black ink, appearing to read "Patrice Impey". The signature is fluid and cursive, with a large initial "P" and a long, sweeping underline.

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

(T) 604.873.7610

(E) [patrice.impey@vancouver.ca](mailto:patrice.impey@vancouver.ca)

**Rainer H. Borkenhagen MD FCFP**  
**337 Shoal Lookout Gibson's BC V0N 1V8**

Tel: (604) 886-6574 email: rborkenhagenmd@yahoo.com

August 3/2017

Patrice Impey, General Manager  
CFO, City of Vancouver  
Office of the General Manager  
453 West 12<sup>th</sup> Avenue  
Vancouver BC V5Y 1V4

**Re: Follow-up to your letter May 16,2017 re Vacant Homes Tax**

Dear Ms Impey

Thank you for your detailed response to my letter on behalf of the coalition represented by ([www.unfairvancouvertax.net](http://www.unfairvancouvertax.net)), whose membership numbers continue to grow. I won't try to go over any points previously articulated, but want to share with you the analytical result of a "rent-it-out" scenario, one of four options suggested by the city administration for owners of secondary homes. The other three are :

- pay the tax"
- sell your property
- occupy your home 180 days/year and work in Vancouver

By far the majority of owners of secondary homes have a condominium, most in retirement. Taking the example of a member's condominium in the Olympic Village, the market rent for his furnished apartment is \$2,400/month. Assuming 85% occupancy with some turnover, he nets \$24,800/yr. But his expenses amount to \$13,000/year, leaving an after-tax income ( marginal tax rate 35%) of **\$7,500**. Assuming his current occupancy of minimum 1 week/month, he now has to find a hotel to stay in, eat out, arrange for pet care etc, coming to a minimum of \$325/day or **\$27,300/yr**. Further, he is placed according to Revenue Canada, in a "Deemed Disposition " scenario, as his personal use property is now converted into revenue use, and has to pay capital gains within the year on the amount of appreciation of the property. At an appreciated value of \$200,000 this comes to an additional burden of tax on \$100,000. This may have never come up, depending on his situation over the ensuing years , as with aging and increased medical needs, he and his wife were likely to move back to Vancouver in the fullness of time. It might have become an issue of

his estate, but not an immediate crisis, particularly given he is on fixed retirement income.

**Bottom line:** it will cost him and his wife substantially more to rent out his condominium, stay in hotels, and pay CRA for deemed disposition. I would be hard pressed to believe that City administration actually worked out these numbers, to ensure this suggested scenario was actually fair and viable. Hence the only actual scenario the city is offering is to pay the tax or sell. The City is not being honest in suggesting the rental scenario. to such homeowners. In effect, it is an expropriation under the guise of taxation.

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Sincerely,

Rainer Borckenhagen MD FCFP  
Current lead for the Coalition

Cc Gil Kelley, General Manager  
Director of Planning

Mayor and Councillors