

From: ["Mochrie, Paul" <Paul.Mochrie@vancouver.ca>](mailto:Paul.Mochrie@vancouver.ca)

To: ["Direct to Mayor and Council - DL"](#)

Date: 11/30/2021 9:41:28 AM

Subject: [2020 Empty Homes Tax Annual Report, Report Back on Vacancy Tax Rate Increase to 1.25%, and Other Updates](#)

Attachments: [empty-homes-tax-annual-report Nov 2021.pdf](#)
[EHT VT Memo to Council - November 2021.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 2020 EHT annual report (will be made public on the city website on December 1st) along with key summary highlights of the report
- 2) Report back on the tax rate increase to 1.25% for tax reference year 2020
- 3) Update on the extension of EHT to SRA designated split class properties
- 4) 2022 EHT work plan
- 5) Concerns about EHT on newly-constructed and unsold inventory
- 6) Key highlights on the new Federal Underused Housing Tax (UHT)

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

Best,
Paul

Paul Mochrie (he/him)
City Manager
City of Vancouver
paul.mochrie@vancouver.ca



The City of Vancouver acknowledges that it is situated on the unceded traditional territories of the xʷməθkʷəy̓əm (Musqueam), Skwxwú7mesh (Squamish), and səliłwətał (Tsleil-Waututh) Nations.

Empty Homes Tax Annual Report

2020 Vacancy Reference Year
(January 1, 2020 to December 31, 2020)

Activity to November 1, 2021



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INTRODUCTION

Vancouver continues to experience the lowest rental vacancy rates and highest rents among Canada's major cities, making rental housing affordability and availability a significant challenge for those who live and work in Vancouver, and those who would like to in the future.

In an effort to address this and increase the supply of rental housing in Vancouver, in 2017, the City of Vancouver introduced the Empty Homes Tax (EHT), also known as the Vacancy Tax. The first of its kind in North America, the EHT's purpose is to encourage residential property owners to return empty and under-used properties to the market as long-term rental homes.

Learn more about the history of the EHT, and other actions the City is taking to tackle housing affordability and availability at vancouver.ca/ehf.

HOW DOES THE EMPTY HOMES TAX WORK?

To determine whether a property will be assessed the tax, residential property owners in Vancouver are required to declare their property status each year. Properties declared, determined, or deemed vacant¹ are subject to a tax on the property's assessed taxable value. From 2017 to 2019, the tax rate was 1%, in 2020 it increased to 1.25%, and for the 2021 vacancy reference year the rate will increase to 3%.

Most residential properties are not subject to EHT, 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 an exemption, as set out in the Vacancy Tax By-law.

IS THE EMPTY HOMES TAX WORKING?

There is strong evidence that the Empty Homes Tax is reducing the number of vacant residential properties in Vancouver. From 2017 to 2020, the number of vacant properties decreased by 26% based on data collected by the City under the EHT program.

External data also highlights the positive impact of the EHT on Vancouver's rental housing supply. The Canada Mortgage Housing Corporation (CMHC) observed a significant shift toward long-term rental in Vancouver's condominium stock in its 2019 Rental Market Report², with an increase of 5,920 condominium units in the long-term rental stock between their surveys in 2018 and 2019. CMHC's 2020 report found that the number of condominium units being rented out increased by an additional 2,455 units, growing from 36.5% of the total condominium population in 2019 to 37.7% in 2020. CMHC notes that the shift toward long-term rental in the condominium stock coincides with the implementation of policies like EHT in Vancouver.

While isolating the effect of a single policy like the EHT in Vancouver's dynamic housing market is challenging, City staff continue to observe positive trends. This report presents the data to date on these trends, including key performance indicators, compliance activities, and an overview of funds raised and how they are allocated.

Since the tax launched, more than \$86.6 million of net revenues from the tax has been allocated to support affordable housing initiatives in Vancouver.

As all revenue and compliance activity related to the vacancy reference period starts in the following year, this report includes revenue and compliance data up to November 1, 2021.

¹ Properties that have not made a property status declaration are "deemed" vacant.

² Differences in data collection methodology for rented condominiums in the [CMHC Rental Market Report](#) may not always align with EHT property status data.

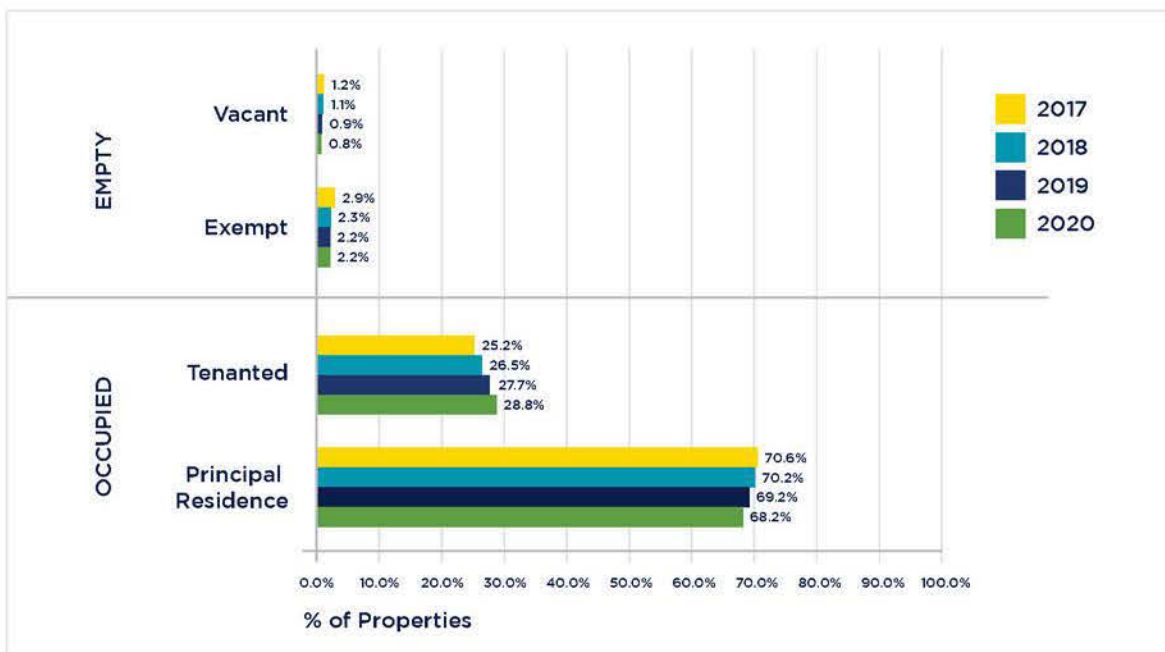


VANCOUVER DECLARATIONS: VACANCY AND GEOGRAPHIC DATA³

Property Status: 2017 to 2020 Tax Reference Years

	2017	2018	2019	2020
EMPTY				
Exempt	5,479	4,327	4,221	4,227
Vacant*	2,193	2,036	1,769	1,627
OCCUPIED				
Principal Residence	131,432	132,723	132,911	133,062
Tenanted	46,934	50,076	53,216	56,096
Total	186,038	189,162	192,117	195,012

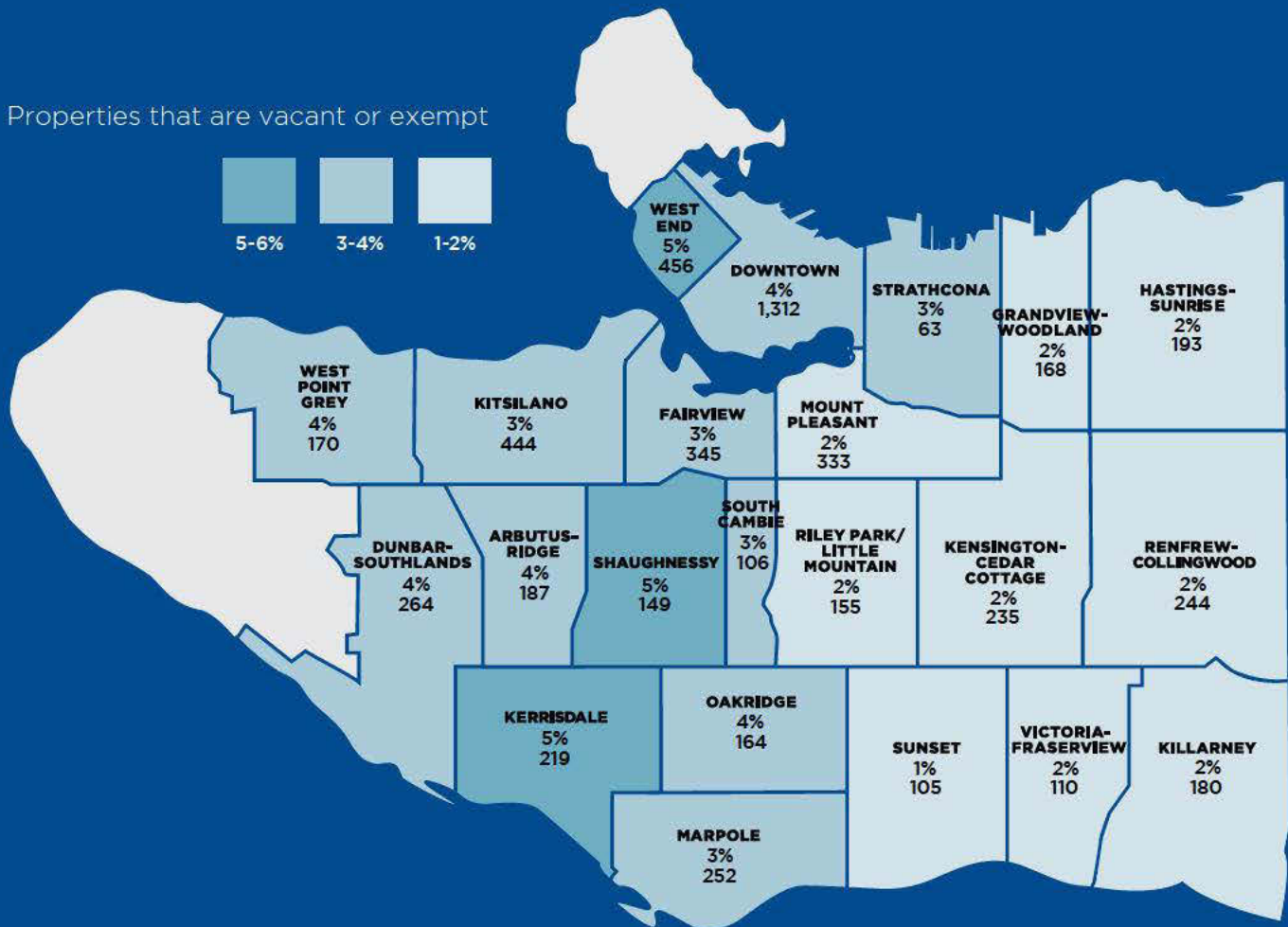
*Includes properties declared, determined and deemed vacant.



³ Some data for the 2017 to 2019 vacancy reference years has been restated to reflect compliance activities since data for those years was reported in prior annual reports.

2020 EHT VACANT AND EXEMPT PROPERTIES

(5,854 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 58% 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. Kerrisdale, West End and Shaughnessy recorded the highest percentage of unoccupied properties, relative to the number of residential properties in these neighbourhoods that were required to declare.

MONIES RAISED

Revenue

Revenue activity during the period November 2, 2020 to November 1, 2021 is outlined below, along with a comparison to the prior year ending November 1.

	2018 \$ Millions	2019 \$ Millions	2020 \$ Millions	2021 \$ Millions
Tax Levy	\$38.0	\$39.4	\$36.0	\$26.0
Penalties	\$1.1	\$1.8	\$1.9	\$1.8
Total Tax and Penalties	\$39.1	\$41.2	\$37.9	\$27.8
Collected	\$33.6	\$23.3	\$27.9	\$20.8

Revenue decreased in the activity period to November 1, 2021 compared to the prior period with the number of properties deemed vacant decreasing by 250, driven by increased communications to undeclared property owners. There were also approximately 360 additional tax reversals in the period resulting from City Council's approval to implement a one-time extension of the declaration deadlines for the 2017 and 2018 vacancy reference years, and the extension of the late declaration deadline starting in the 2019 vacancy reference year.

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, 2021 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 6.45% starting January 1 of the following year.

COMPLIANCE ACTIVITY

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

The Vacancy Tax 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

Audits completed during the period November 2, 2020 to November 1, 2021 are outlined below, along with a comparison to the prior year ending November 1.

	Period to November 1			
	2018	2019	2020	2021
Non-compliant Audits	331	892	722	785
Non-compliance Rate*	5.3%	10.5%	7.8%	8.0%

* Non-compliance rate for audits completed in the period only and does not include the net effect of any appeal outcomes from Notices of Complaint and / or external panel reviews.

Property owners who were found to be non-compliant were levied the EHT. Revenue generated from non-compliant audits during the period from November 2, 2020 to November 1, 2021 was \$17.3 million.

Owners found non-compliant in their audits have the opportunity to 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 owners may file a Notice of Complaint and external review request to dispute the non-compliant audit determination in future years. As a result, revenue generated from audit activities may be adjusted in future years.

The effective non-compliance rate of the EHT audit program since inception by vacancy reference year, net of appeal outcomes from Notices of Complaint and / or external panel reviews, is shown below:

	Effective Non-Compliance Rate by Vacancy Reference Year			
	2017	2018	2019	2020*
Non-compliance Rate	7.5%	7.3%	5.5%	4.1%

* Many audits for the 2020 vacancy reference period are still in progress, and audits for the 2020 vacancy reference period can be initiated until December 31, 2022

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, 2021, are as follows:

	Period to November 1			
	2018	2019	2020	2021
Accepted*	1,207	346	403	900
Rejected	252	237	156	171
Total	1,459	583	559	1,071

* Most of the accepted complaints related to property owners who were originally deemed vacant because they failed to make a declaration. For 2020, 600 of the 900 accepted complaints were for properties previously deemed vacant.

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; however, any owners who have not submitted a late declaration by the opening of the subsequent year's declaration period are still required to submit a Notice of Complaint. For the 2019 vacancy reference period and beyond, the deadline to submit a late property status declaration via Notice of Complaint is the second business day of July in the year following the original declaration deadline.

The original deadlines to make a late declaration for the 2017 and 2018 vacancy reference periods were December 31, 2018 and December 31, 2019, respectively. In May 2020, City Council approved a one-time extension for late declarations not submitted by the original 2018 and 2019 deadlines to December 31, 2020. Following this one-time extension, 467 late declarations for 2017 and 2018 have been received via the Notice of Complaint process and 91% of completed complaints 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, 2020 to November 1, 2021, are as follows:

	Period to November 1			
	2018	2019	2020	2021
Accepted	8	35	14	11
Rejected	39	95	44	58
Total	47	130	58	69

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, \$86.6 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 the 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 in the current reporting period (November 2, 2020 to November 1, 2021).

Community Housing Incentive Program (CHIP)

The \$25 million 2019-2022 Community Housing Incentive Program (CHIP) 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 July 2021, City Council approved a CHIP capital grant totaling \$5.4 million towards the construction of 81 new affordable homes proposed by Vancouver Native Housing Society. Located in the Grandview-Woodland neighbourhood, the proposed development would create much-needed homes at affordable rents for dozens of Indigenous individuals and families.

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 \$12 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. An additional \$8.3 million will 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 housing	New multi-year housing capital grants, as part of a new Community Housing Incentive Program (CHIP) to deepen affordability of social housing and meet affordability targets in the Housing Vancouver strategy	12.0
	Land acquisition / development opportunities	8.3
Funding for staff working on affordable housing projects		4.3
Emerging priorities		1.6
TOTAL:		\$26.2

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

APPENDIX 1: KEY EHT PROGRAM INDICATORS

As part of the EHT Annual Report, staff report on several indicators related to performance of the tax against 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.

Some data for the 2017 to 2019 vacancy reference years has been restated to reflect compliance activities since data for those years was reported in prior annual reports.

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 1.5% (2,895 properties) between 2019 and 2020.
2. Change in vacant and exempt properties⁴	Reduction in vacant and exempt properties from 2019 to 2020 <ul style="list-style-type: none"> In 2020, 5,854 properties were vacant or exempt (3.0% of all properties); this is 136 fewer units than in 2019 (2.3% reduction) and 1,818 fewer units than 2017 (23.7% reduction). In 2020, 1,627 properties (approximately 0.8 % of all properties) were vacant; this is 142 fewer units than in 2019 (8.0% reduction) and 566 fewer units than in 2017 (25.8% 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 (47%) of exempt properties in 2020 claimed the property transfer exemption; 29% claimed the renovation exemption, and 13% claimed the strata rental restriction exemption. Most properties (65%) claiming transfer in 2020 were condos; most properties (75%) claiming renovation were single-family homes.
4. Change in tenanted properties⁴	Increase in tenanted properties from 2019 to 2020 <ul style="list-style-type: none"> There was a net increase of 2,879 tenanted properties between 2019 and 2020; this includes a net increase of 1,955 tenanted condominiums, 251 single-family homes, and 673 of other property types. This data does not 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 / properties⁴	2019 vacant properties converted to occupied in 2020 <ul style="list-style-type: none"> Of the 1,769 vacant properties in 2019, 36% were occupied in 2020 (15% tenanted, 16% principal residences, 5% principal).
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 2020, the average assessed value of a vacant condo (\$1.3M) is 43% higher than the average condo (\$0.9M). The average assessed value of a vacant single-family home (\$2.5M) is 23% higher than the average single-family home (\$2.0M). Overall, the average assessed value of vacant properties was \$1.51M compared to the average value of \$1.49M for all properties. The small differential is due to 77% of vacant properties being condos.

APPENDIX 2: DETAILED DATA

Some data for the 2017 to 2019 vacancy reference years has been restated to reflect compliance activities since data for those years was reported in prior annual reports.

Indicator #1: Number of properties required to declare⁴

	2017	2018	2019	2020	2019 to 2020 Change	
Condo	95,734	98,566	101,525	104,155	2,630	2.6%
Single Family Including Duplex	80,687	80,638	80,683	80,588	-95	-0.1%
Exempt	9,617	9,958	9,909	10,269	360	3.6%
TOTAL	186,038	189,162	192,117	195,012	2,895	1.5%

Indicator #2: Change In vacant and exempt properties⁴

Number of vacant and exempt properties by property type:

Condo	2017	2018	2019	2020	2019 to 2020 Change	
Vacant	1,747	1,536	1,341	1,255	-86	-6.4%
Exempt	2,733	2,107	2,061	2,134	73	3.5%
TOTAL	4,480	3,643	3,402	3,389	-13	-0.4%

Single Family	2017	2018	2019	2020	2019 to 2020 Change	
Vacant	368	399	337	285	-52	-15.4%
Exempt	2,336	1,875	1,791	1,713	-78	-4.4%
TOTAL	2,704	2,274	2,128	1,998	-130	-6.1%

Other	2017	2018	2019	2020	2019 to 2020 Change	
Vacant	78	101	91	87	-4	-4.4%
Exempt	410	345	369	380	11	3.0%
TOTAL	488	446	460	467	7	1.5%

⁴ 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

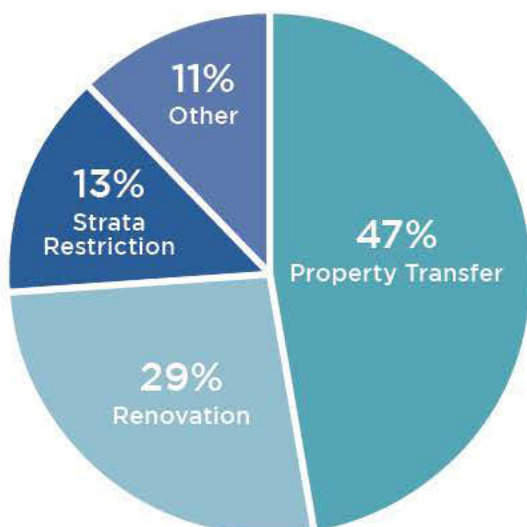
Breakdown of properties by property type that qualified for an exemption⁵:

Condo	2017	2018	2019	2020	2019 to 2020 Change	
Property Transfer	1,598	1,154	1,132	1,283	151	13.3%
Redevelopment/ Renovation	97	95	91	127	36	39.6%
Strata Restriction	522	587	564	536	-28	-5.0%
Other	516	271	274	188	-86	-31.4%
TOTAL	2,733	2,107	2,061	2,134	73	3.5%

Single Family	2017	2018	2019	2020	2019 to 2020 Change	
Property Transfer	809	486	507	663	156	30.8%
Redevelopment/ Renovation	1,199	1,199	1,120	920	-200	-17.9%
Strata Restriction	1	0	0	2	2	100.0%
Other	327	190	164	128	-36	-22.0%
TOTAL	2,336	1,875	1,791	1,713	-78	-4.4%

Other	2017	2018	2019	2020	2019 to 2020 Change	
Property Transfer	54	15	23	24	1	4.3%
Redevelopment/ Renovation	150	150	170	182	12	7.1%
Strata Restriction	14	15	8	10	2	25.0%
Other	192	165	168	164	-4	-2.4%
TOTAL	410	345	369	380	11	3.0%

Breakdown of properties that qualified for an exemption in 2020:



⁵ 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 #4: Change in tenanted properties⁶

	2017	2018	2019	2020	2019 to 2020 Change	
Condo	28,603	30,767	33,604	35,559	1,955	5.8%
Single Family	10,620	11,296	12,120	12,371	251	2.1%
Other	7,711	8,013	7,493	8,166	673	9.0%
TOTAL	46,934	50,076	53,217	56,096	2,879	5.4%

Indicator #5: Occupancy status of previously vacant properties**Current status of 2019 vacant properties:**

Status	2020
Principal Residence	380
Tenanted	263
Occupied Total	643
Exempt	154
Vacant	947
Declaration not required	25
Total	1,769

Current status of 2017 vacant properties:

Status	2020
Principal Residence	638
Tenanted	716
Occupied Total	1,354
Exempt	167
Vacant	602
Declaration not required	70
Total	2,193

Indicator #6: Average assessed value of vacant property vs. all properties⁶

	Vacant 2020	All Properties 2020	% Higher Assessment
Condo	\$1.26M	\$0.88M	43%
Single Family	\$2.5M	\$2.03M	23%
Total	\$1.51M	\$1.49M	1%

⁶ 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)



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 29, 2021

TO: Mayor and Council

CC: Paul Mochrie, City Manager
Karen Levitt, Deputy City Manager
Katrina Leckovic, City Clerk
Lynda Graves, Administration Services Manager, City Manager's Office
Maria Pontikis, Chief Communications Officer, CEC
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
Theresa O'Donnell, General Manager, Planning, Urban Design & Sustainability
Francie Connell, Director, Legal Services & City Solicitor
Julia Aspinall, Director, Financial Services
Iain Dixon, Assistant Director, Legal Services
Dan Garrison, Assistant Director, Housing Policy and Regulation

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

SUBJECT: 2020 Empty Homes Tax Annual Report, Report Back on Vacancy Tax Rate Increase to 1.25%, and Other Updates

Dear Mayor and Council,

This memo is to provide the following:

- 1) Summary of the 2020 Empty Homes Tax ("EHT") Annual Report, including key impact indicators and a summary of revenue and expenditures to date, as contained in Appendix A;
- 2) Report Back on Empty Homes Tax 2021 Tax Rate Increase presented at the Standing Committee on City Finance and Services meeting on November 25, 2020 (RTS 014171);
- 3) Report Back on Review of Fairness and Effectiveness of the Empty Home Tax (RTS 13389) Re: Extending EHT to SRA-designated Properties

- 4) 2022 EHT Work Plan
- 5) Concerns about EHT and newly-constructed and unsold inventory
- 6) Federal Underused Housing Tax (UHT)

1. 2020 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 allocated to support affordable housing since the inception of EHT is \$86.6 million, (\$26.2 million allocated in current reporting period), net of program setup, operating costs, and allowances. Available EHT funds have either been allocated or will be allocated through Council reports or the operating and capital budgets. The recommended allocation is consistent with the Vancouver Charter requirement that EHT net revenues be spent on initiatives respecting affordable housing.

Revenue for the period ending November 1					
in \$ Millions	2018	2019	2020	2021	Total
Revenue (Tax Levy)	\$ 38.0	\$ 39.4	\$ 36.0	\$ 26.0	\$ 139.4
Revenue (Penalties and Bylaw fines)	\$ 1.1	\$ 1.8	\$ 1.9	\$ 1.8	\$ 6.6
Total Revenue	\$ 39.1	\$ 41.2	\$ 37.9	\$ 27.8	\$ 146.0
Collected	\$ 33.6	\$ 23.3	\$ 27.9	\$ 20.8	\$ 105.6
Allocated*	\$ 7.8	\$ 37.9	\$ 14.7	\$ 26.2	\$ 86.6

* Proposed allocation for 2021 is subject to council approval. Allocation in 2020 was lower to provision for refunds of the one-time late declaration for tax year 2017 and 2018.

Revenue decreased in 2021 compared to the prior year due to a reduction in the number of deemed vacant (undeclared) properties by 250 properties. This reduction is driven by additional outreach communication initiative this year (and going forward) to the undeclared property owners to encourage declaration prior to the end of the year, resulting in fewer deemed vacant and that would otherwise be reversed in following year when late declarations are received. In addition, there were approximately 360 tax reversals in 2020, related specifically to Council's direction to implement a one-time extension of the declaration deadline for the 2017 and 2018

vacancy reference years, and to extend of the late declaration deadline starting in the 2019 vacancy reference year. This allowed property owners who had not declared on time at the beginning of the EHT program and were deemed vacant to complete a declaration if their property was in fact occupied. These properties had the EHT reversed

\$26.2 million is available and fully allocated in this reporting period to fund new affordable housing. Council approval of the proposed funding allocation includes:

- \$12 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.
- \$8.3 million will 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.
- \$4.3 million for staffing resources to work on affordable housing projects.
- \$1.6 million for emerging priorities, such as a Tiny Homes pilot project contingent on Council's approval of the pilot project.

Key trends from the 2020 EHT annual report:

Trend	Details
1. Reduction in vacant and exempt properties	<ul style="list-style-type: none"> - In 2020, 5,854 properties were vacant* or exempt (3.0% of all properties required to declare); this is 136 fewer units than in 2019 (2.3% reduction) and 1,818 fewer units than 2017 (23.7% reduction) - In 2020, 1,627 properties (approximately 0.8% of all properties required to declare) were vacant*; this is 142 fewer units than in 2019 (8.0% reduction) and 566 fewer units than in 2017 (25.8% reduction)
2. Increase in declared tenanted properties	<ul style="list-style-type: none"> - There was a net increase of 2,879 tenanted properties between 2019 and 2020; this includes a net increase of 1,955 tenanted condominiums, 251 single family homes, and 673 of other property types. - There was a net increase of 9,162 tenanted properties between 2017 and 2020; this includes a net increase of 6,956 tenanted condominiums and 1,751 tenanted single family homes.
3. Vacant* properties converting to occupied	<ul style="list-style-type: none"> - Of the 1,769 vacant properties in 2019, 36% were occupied in 2020 (tenanted or principal residence). - Of the 2,193 vacant properties in 2017, 62% were occupied in 2020.
<p>* Declared, deemed (undeclared), or determined (through compliance) vacant.</p>	

Additional detail on these and additional trends is available in the 2020 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 higher-value condominiums, with the bulk of the remainder made up of single family homes. The average assessed value of a vacant condo (\$1.3 million) is 43% higher than the average condo (\$0.9 million). The average assessed value of a vacant single-family home (\$2.5 million) is 23% higher than the average single-family home (\$2.0 million)

2. **Report Back on Empty Homes Tax 2020 Vacancy Tax Year Rate Increase**

Below is an update on the progress to date regarding Resolutions contained within Council's November 25, 2020 (RTS 014171) motion pertaining to the review of the tax increase from 1% to 1.25%.

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

That Council direct staff to monitor the data resulting from the increase of the tax rate from 1 % to 1.25% and report back in late 2021 with potential amendment to the Vacancy Tax By-Law to further increase the tax rate for the 2022 vacancy reference year.

Update

Assessment of Impact of 1.25%

The City worked with EY and academic housing experts to assess the impact of the tax rate increase, review current compliance procedures to understand potential tax avoidance risks, and advise on steps the City might take to address or mitigate these risks via compliance work and communications.

(a) Impact on Property Status Declarations and Revenue

The 2020 compliance program is still in progress with audits still planned or underway. Owners who have been found non-compliant via audit still have the opportunity to dispute the result via notice of complaint and external review. Property owners have until July 5, 2022 to make a late property status declaration via the notice of complaint process, and may also file external review if they are determined non-compliant at notice of complaint.

With late EHT declarations still coming in and compliance activity underway, it is still early to make fulsome comparisons between 2020 EHT declarations under the increased tax rate and those of earlier years under the previous tax rate. It will also be challenging to separate the impact of the higher tax rate from other factors related to the global pandemic in 2020, other levels of government policies, and market dynamics.

However, analysis of 2020 declarations received to date does not suggest a significant shift in declaration behaviour compared to previous years' trends. Overall, the percentage of properties declared as vacant as a share of total properties decreased slightly in 2020 compared to 2019 –from 0.43% to 0.42%.¹ As of November 1, 2021, the overall percentage of properties declared, determined or deemed vacant in 2020 was 0.8%, down from 0.9% in 2019. This decline is in line with past years' trends. Note that these trends may shift with late declarations and ongoing compliance activity.

Although the tax rate increased by 25%, from 1% to 1.25%, the tax revenue from declared vacant properties only increased by about 8.2% or \$1.24 million (8.2%). The increase was netted against the decrease in the average assessed value of 13% in the declared vacant properties from 2019 to 2020.

(b) Impact on Compliance

It is still too early to determine whether the tax rate increase to 1.25% had a discernible impact the rate of non-compliance. Once compliance work is completed and the undeclared deadline has passed, better insights can be made through a comparison of the 2020 and prior year's compliance rates.

Next Steps / Conclusion

Available data to date on 2020 is limited, but so far does not suggest a significant impact of the 1.25% EHT rate on declarations compared to previous years. There is still insufficient data from audits to draw conclusions of impacts on compliance rates. Given that Council approved a significant tax rate increase to 3% starting in 2021 tax reference year and that there is an 18-months declaration window, staff recommend that there not be a change to the current 3% tax rate for the 2022 vacancy reference year until further analysis indicates otherwise. Staff will continue to monitor key indicators and data to report back in late 2022 on any further impacts.

3. Report Back on Extending EHT to SRA-designated Properties for Split-class Buildings

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

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

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

¹ Note that this figure is only properties declared as vacant prior to audit. Additional properties are determined vacant during the compliance process.

this potential amendment to the Vacancy Tax By-law in a future report back on the SRA By-law.

Update

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 split-class residential (Class 1 and 6) SRA buildings could be operationalized.

Currently, four of the city's ten vacant SRAs are classified as class 1 residential, and of these, only one is subject to the EHT. At this time, six of the ten vacant SRA buildings are split class and not subject to the EHT. Some of the currently vacant buildings have been closed due to government orders, which is an exempt category under the broader Vacancy Tax By-Law. Given that the majority of the City's private SRAs are split-class, with both a commercial and residential component, staff explored a new category of buildings to bring split class buildings under the Vacancy Tax bylaw and potentially encourage re-opening of vacant buildings while discouraging disinvestment and the purchasing of vacant SRAs on a speculative basis. ACCS, Finance, and Legal staff have identified some important challenges around application that need to be further explored before staff could bring forward a recommendation. Due to the nature of building vacancy in SRA-designated buildings and existing and proposed property tax exemptions and exclusions, staff do not project that extension of the EHT By-law to this split-class of SRA-designated non-government owned properties would have significant impact on SRA room availability over the short-term.

This month, Council approved the Vacancy Control in a Single Room Accommodation (SRA) Designated Properties policy as an approach to defer speculative investment and address housing affordability in the stock. This policy change is expected to have a significant impact on speculative investment on the SRA stock. ACCS has had to prioritize policy development and implementation of the vacancy control in SRAs to meet Council direction to complete this work in 2021. Given staff's early assessment on the modest impact of the EHT change on speculation, staff intend to bring a recommendation to Council in 2022.

Next Steps

Staff are working 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 and expect to report back to council in 2022.

4. 2022 EHT Work Plan

(a) Planning for 3% Vacancy Tax Rate

On November 25, 2020, Council approved a motion instructing the Director of Legal Services to bring forward amendments to the Vacancy Tax By-Law to increase the EHT rate to 3% beginning in the 2021 vacancy reference year. In addition, that staff use 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 less than \$50,000.

On December 10, 2020, the 3% tax rate amendment to the by-law was enacted by Council effective for the 2021 vacancy reference year. Declarations for the 2021 vacancy reference year opened in mid-November 2021, and the deadline to file a property status declaration is February 2, 2022.

While average assessed values decreased from 2019 to 2020, assessed values have increased from 2020 to 2021. For the City of Vancouver, single-family home assessed values are up on average of 10% and condos are up on average of 4% from 2020 to 2021. The increase in assessed property values may have an amplified effect of the vacancy tax levy on vacant properties at the new tax rate at 3%. For example, a single family home with a property assessment of \$1,570,000 in 2020 that increased to \$1,727,000 in 2021 would have an EHT levy of \$51,810 with the 3% rate, up 164% or \$32,185 from the prior year with the 1.25% rate. This is higher than the 140% increase in the tax rate from 1.25% to 3%.

While the increase in tax rate could result in additional revenue for affordable housing programs, the new tax rate may conversely reduce revenue if the higher tax rate and property assessment creates a high strong incentive for the property owner to sell their vacant property or occupy it. Although this achieves the objectives of the EHT, it highlights that the EHT is an unpredictable revenue source and may diminish if it fully achieves its objectives. Staff will also be monitoring declaration behaviour, exemptions, and complaints to determine if issues arise that could signal a need for a broader review of policies and exemptions following the rate increase.

Consultation with EY and academic experts indicated that the EHT compliance program is generally effective in targeting attributes with higher risk profiles (eg: neighborhoods, age of building, and type of building). However, a higher tax rate may result in a risk of increased non-compliance. Given this increased risk, staff are continuously reviewing the audit program, including the number of audits and audit sample selection, as well as process and technology improvements to maintain the effectiveness of the EHT program.

- **Increase in Audits:**

With the “tripling” of the tax rate, consideration of “tripling” the number of audits is an option. It is important to note that “tripling” the number of audits would not necessary mean “triple” the number of non-compliant audits (e.g. we would not simply extrapolate historical non-compliance rates), as the current audits are already targeted to higher risk property status declarations (e.g. exemptions) which historically have higher non-compliance rates.

One suggestion from our consultation with academic experts and EY is to increase the level of random sampling in addition to targeted audits, to support a more accurate measurement of the total population of empty homes and verify potential systematic under-reporting across the stock.

Planning for the 2021 compliance program is underway, and while additional staffing would be required to perform additional audits, staff are also considering other process improvements and/or technology that would allow more audits to be performed per compliance analyst.

- **Information Technology (IT) Upgrades and Improvements:**

The existing EHT audit software has limitations in terms of functionality (e.g. it is essentially a database) and data analysis capabilities. With four years of compliance work performed, staff have better insight as to what functionalities would improve the efficiency of audits and data analysis needs. With the plan to increase the number of audits, this is an opportune time to consider investment into a more advanced audit software.

The other consideration is to upgrade the existing declaration portal to require owners to upload primary documentation when they submit their property status declaration. This additional information would allow staff to better allocate audit staffing resources to higher risk property status declarations (e.g. where primary documentation not provided, or does not support the declaration).

(b) BC Speculation and Vacancy Tax – Data Sharing / Policy Review

The provincial Speculation and Vacancy Tax (“BC Speculation Tax) introduced in 2018 applies to homeowners in Vancouver and other areas of BC. Residential property owners in Vancouver are required to make an annual declaration to the province, in addition to the EHT declaration. The Province recently released SVT data for 2020, including municipal-level data.² For the 2020 tax year, all properties subject to the BC Speculation Tax were taxed at 0.5% of the assessed value of the property, except for foreign owners and satellite families where the tax rate is 2%.

The BC Speculation tax provides certain exemptions for property owners. Many of the exemptions are the same / similar to those available under EHT. However, there are some differences. Staff have noted that differences in exemptions has resulted in confusion among homeowners who may meet the requirements of an exemption in one tax but not the other. With four years of EHT compliance and declaration data now available, staff consider that it would be beneficial to perform a fulsome comparison of the exemptions available under the EHT and BC Speculation Tax, and identify potential areas for alignment.

Discussions with the Province have been previously initiated regarding an information sharing agreement; however, there has been little or no progress in pursuing an agreement.

Next Steps

Staff plans to follow up with the Province in 2022 to re-start discussions to pursue an information sharing agreement.

Staff plans to perform a review / comparison of the exemptions in the EHT by-law to the BC Speculation Tax to determine whether any alignment (by-law amendments) may be required.

² https://news.gov.bc.ca/files/SVT_Detailed_Data_2020.pdf

(c) EHT Website Improvements

In 2020, staff made a number of changes to the EHT information provided on the City of Vancouver website to enhance the clarity and transparency of the information.

Further review of the website indicates that additional changes are required to further enhance the clarity and transparency of the information on the website, including improved navigation / organization and reduction of duplication of information.

Next Steps

Staff plan to perform a comprehensive review of the EHT website and made the required updates to improve the clarity and transparency of information.

5. Concerns about EHT and newly-constructed and unsold inventory

We have heard from the development community that there remains a concern about newly-constructed and unsold inventory attracting EHT. The application of EHT to unsold inventory follows from the principal that in the context of Vancouver's continuing housing affordability and availability crisis, property that is fit for occupancy should be occupied by a principal resident or a tenant for at least six months out of the year.

Generally, most newly constructed properties would be exempt from EHT in the first 6-18 months that they are completed either because of the renovation and redevelopment exemption or the property transfer exemption. Further information on applicability of EHT to new inventory is available in a new [interpretation bulletin](#).

To date, there has not been new evidence to show that EHT is having a detrimental impact on unsold newly constructed inventory in the City of Vancouver. CMHC data to date indicates that the level of unsold new inventory in the City remains low compared to historic trends. Although the Provincial Speculation Tax and the City Vacancy Tax Bylaw are generally aligned in their objectives to improve housing affordability and availability, the City notes that the Speculation Tax adopts a province-wide lens and therefore has taken a more expansive approach to exemptions for development, including unsold newly constructed inventory.

Next Steps

Staff will continue to monitor unsold newly constructed properties and potential EHT impacts and engage with UDI and other stakeholders as needed.

6. Federal Underused Housing Tax (UHT)

In Budget 2021, the federal government proposed a vacant homes tax with the stated intention of deterring non-resident, foreign ownership of under-used housing.

The proposed "Underused Housing Tax" or "UHT", effective January 1, 2022 is a national annual 1% tax on the value of non-resident, non-Canadian owned residential real estate that is considered to be vacant or underused.

Certain owners of residential property will be required to file an annual declaration with the CRA for each residential property they own. Most Canadians are exempt from this filing requirement, including Canadian citizens and permanent residents, Canadian corporations, charities, co-ops, cities, public service bodies / universities, and governments.

A property owner filing for UHT would need to pay the 1% tax on their interest in the property's value unless they can satisfy a "qualifying occupancy test" whereby the property is occupied for at least 6 months of the year by a "qualifying occupant" (e.g. a non-arm's length individual, rent-paying tenant, or a spouse or child).

There are also several exemptions that are available to owners, of which some are aligned with the City's EHT, and some are additional exemptions.

In the City of Vancouver, there may be owners who may be double/triple taxed between EHT, BC Speculation and Vacancy Tax, and the new proposed UHT.

Next Steps

The Federal government is obtaining feedback on the design and key features of the UHT. Staff will provide input to the Federal government on the proposed.

Conclusion

This memo has provided Council with 1) a copy of the 2020 annual Empty Homes Tax annual report and summary of key highlights, 2) report back on the effectiveness of the EHT tax rate increase, 3) report back on the status of extending EHT to SRA-designated, 4) highlight the key focus areas in 2022 EHT work plan 5) update on concerns about EHT and newly-constructed and unsold inventory and, 6) inform the new Federal Underused Housing Tax (UHT).

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

Best Regards,



Patrice Impey
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