

Larson, Miranda

From: Mochrie, Paul
Sent: Monday, June 19, 2023 6:09 PM
To: Direct to Mayor and Council - DL
Cc: City Manager's Correspondence Group - DL; Impey, Patrice
Subject: EHT Bylaw - unsold inventory exemption
Attachments: FRS - Memo to Mayor and Council - EHT vacant unsold inventory.docx

Categories: Red Category

Good afternoon Mayor & Council,

The purpose of the attached memo is to provide you with updated information regarding the implementation of the new EHT exemption on unsold vacant new inventory and the retroactive implementation of this exemption for 2022, which was approved by Council last month. Staff will be bringing forward to Council for enactment the amended Vacancy Tax bylaw, including this new exemption along with the other new or amended exemptions, on June 27, 2023.

As a point of note, the retroactive exemption on vacant unsold inventory in 2022 applies to properties that are newly vacant in 2022, ie: made its first EHT property status declaration (and received occupancy permit) in 2022. Properties that were vacant in 2022 but had made its first EHT property status declaration prior to 2022 would not be eligible for exemption as they were not newly vacant in the 2022 vacancy tax year.

Some of the developers who wrote letters to Council requesting refunds of their EHT payments had units that became vacant prior to 2022. If Council decides to allow these older properties for exemption, Council would need to amend the proposed draft Vacancy Tax bylaw (see Appendix A of the memo).

Once the bylaw exemption for vacant new unsold inventory is enacted, developers will be invited to submit a Notice of Complaint to change the status declaration for the 2022 reporting period. In order to be eligible for the exemption, the developer must demonstrate that each property was part of a newly built residential development of 5 or more units, has not been occupied since completion of construction, was actively listed throughout the vacancy tax period and was the subject of a property status declaration the first time starting in 2022.

If you have any questions, please reach out to myself or Patrice Impey.

Best,
Paul

Paul Mochrie (he/him)
City Manager
City of Vancouver
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The City of Vancouver acknowledges that it is situated on the unceded traditional territories of the xʷməθkʷəy̓əm (Musqueam), Sḵwx̱wú7mesh (Squamish), and səliłwətał (Tsleil-Waututh) Nations.

MEMORANDUM

September 18, 2023

TO: Mayor and Council

CC: Paul Mochrie, City Manager
Armin Amrolia, Deputy City Manager
Karen Levitt, Deputy City Manager
Rosemary Hagiwara, Acting City Clerk
Teresa Jong, Administration Services Manager, City Manager's Office
Maria Pontikis, Chief Communications Officer, CEC
Trevor Ford, Director of Operations, Mayor's Office
David Grewal, Senior Advisor, Mayor's Office
Theresa O'Donnell, General Manager, Planning, Urban Design & Sustainability
Dan Garrison, Assistant Director, Housing Policy and Regulations
Iain Dixon, Assistant Director, Regulatory Litigation

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

SUBJECT: EHT exemption: vacant new inventory

Dear Mayor and Council,

The purpose of this memo is to provide Council with updated information regarding the implementation of the new EHT exemption on unsold vacant new inventory and the retroactive implementation of this exemption for 2022, which was approved by Council on May 10, 2023.

Under the current Vacancy Tax bylaw, if a newly constructed unit has not yet been sold to an end-user, the unit may be exempt for 6-18 months, depending on when the occupancy permit was received and/or when it was sold (to qualify for property transfer exemption). However, properties that remain vacant beyond this period were subject to the EHT. On May 10, 2023, Council approved an exemption for vacant new inventory that remains unsold for each vacancy reference year after obtaining the occupancy permit, until it is sold or occupied, and that this exemption be effective retroactively starting in the 2022 vacancy reference year. The purpose of this exemption was to help address the financial risk from EHT on development that could impact the delivery of new housing supply.

Staff will be bringing forward to Council for enactment of the amended Vacancy Tax By-law, including this new exemption along with other new or amended exemptions on June 27, 2023. The criteria to qualify for the vacant unsold new inventory exemption is consistent with the Province's Speculation and Vacancy Tax (SVT); however, the City's Vacancy Tax By-law provides greater clarity reflecting the objectives of the EHT. Namely, the property had to have been actively listed throughout the vacancy tax reference period, and the exemption applies to newly vacant properties starting from 2022

onwards. Please refer to Appendix A for the draft bylaw, which will be brought forward for Council approval.

Council had inquired about the financial impact of applying the exemption retroactively to 2022, and staff provided an estimate that approximately \$3.8 million in revenue would be potentially reversed related to new units in 2022, of which \$2.6 million had already been collected to date. This estimate was based on applying the exemption to newly vacant unsold inventory in 2022. Staff conducted an additional review of vacant unsold inventory and found approximately 36 units (\$3.2 million EHT levied) were vacant in 2022 but received occupancy permit and had made its first EHT property status declaration **prior** to 2022 (i.e., not newly vacant in 2022). These properties would not be eligible for exemption as they were not newly vacant in the 2022 vacancy tax year. Some of the developers who wrote letters to Council requesting refunds of their EHT payments had units that were not newly vacant in 2022. If Council decides to allow these older properties for exemption, Council may need to amend the proposed draft Vacancy Tax By-law (see Appendix A). For reference, the table below provides information on the 2022 vacancy tax year profile of vacant unsold inventory and the year the property was required to make its first EHT declaration.

\$ in thousands	Newly vacant in 2022			Not newly vacant in 2022 (ie: obtained occupancy permit prior to 2022)									Total units declared vacant in 2022		
	New 2022/Vacant 2022			New 2021/Vacant 2022			New 2020/Vacant 2022			New 2017/Vacant 2022			Total Vacant 2022		
	# of properties	\$ Levied	Collected/Potential Refund	# of properties	\$ Levied	Collected/Potential Refund	# of properties	\$ Levied	Collected/Potential Refund	# of properties	\$ Levied	Collected/Potential Refund	# of properties	\$ Levied	Collected/Potential Refund
Developer A	20	1,648	1,648										20	1,648	1,648
Developer B				17	1,566	1,566							17	1,566	1,566
Developer C	17	489	204	5	765								22	1,254	204
Developer D	10	1,128	154										10	1,128	154
Developer E							10	489	489	1	36	36	11	525	525
Developer F										2	315	315	2	315	315
Developer G	6	195	195										6	195	195
Developer H	4	188	188										4	188	188
Developer I	3	165	165										3	165	165
Developer J							1	45	45				1	45	45
Total	60	\$3,813	\$2,555	22	\$2,332	\$1,566	11	\$534	\$534	3	\$351	\$351	96	\$7,029	\$5,006
	<i>Total EHT Levied \$3.8M, 60 units</i>			<i>Total EHT Levied \$3.2M, 36 units</i>						<i>Total EHT Levied \$7.0M, 96 units</i>					

Once the by-law exemption for vacant new unsold inventory is enacted, developers are invited to submit a Notice of Complaint to change the status declaration for the 2022 reporting period for those units required to file an EHT declaration for the first time in 2022. Similar to other Vacancy Tax By-law exemptions, it is incumbent on the property owners (developers) to provide evidence to substantiate the declared exemption. To be eligible for the exemption once the by-law amendment is enacted, all properties must demonstrate they were part of a newly built residential development of 5 or more properties, which have not been occupied since completion of construction, were actively listed throughout the vacancy tax reference period, and made a property status declaration the first time starting in 2022. The reversal of the EHT levy will only occur if the developer is able to demonstrate these requirements. Therefore, staff are unable to estimate the financial impact of the retroactive application until the exemption review process has been completed; however, it would be up to the maximum of \$3.8 million if Council enacts the proposed Vacancy Tax By-law amendment.

If you have any questions or require further information, please feel free to contact me at patrice.impey@vancouver.ca or (604) 873-7610.

Best Regards,



Patrice Impey
 General Manager, Finance, Risk and Supply Chain Management/CFO
 604.873.7610 | patrice.impey@vancouver.ca

Appendix A - Draft Vacancy Tax Bylaw on Vacant Unsold Inventory

“3.9 For the 2022 vacancy reference period and any subsequent vacancy reference periods, a vacancy tax is not payable under this by-law for a parcel of residential property if the residential property was unoccupied for more than six months during the vacancy reference period and:

- (a) the residential property is part of a residential development of 5 or more residential properties;
- (b) the residential property has been newly constructed;
- (c) the residential property has not been occupied for residential purposes since it was constructed;
- (d) the residential property was actively offered to the public for sale throughout the vacancy reference period;
- (e) the registered owner of the residential property was a developer of the residential property; and
- (f) the first time a property status declaration for the residential property was required to be completed and returned was for the 2022 vacancy reference period.”