

# Empty Homes Tax Annual Report

January 1, 2018 to December 31, 2018 Tax Year

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Activity to November 1, 2019



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## 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 as just one of the many actions in its 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 less than 1% rental vacancy, has among the lowest rental vacancy rates and the highest rental costs of any Canadian city. 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 low- and moderate-income earners can afford to live and work in the city. The net revenue received from the tax is required to be used to fund affordable housing initiatives.

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The EHT, the first of its kind in North America, is just one of the actions in our 10-year Housing Vancouver strategy

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## 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 determined or deemed to be empty are subject to a tax of 1% 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 2018 reference period by February 4, 2019, 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, the report includes revenue from compliance activities up to November 1, 2019.

## 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 the City's Housing Vancouver Annual Progress Report and Data Book. The 2018 report can be accessed at: [vancouver.ca/housingdata](http://vancouver.ca/housingdata)

### 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 market as dynamic as the City of Vancouver's is challenging. However, City staff have noted positive trends. We plan to monitor the following key performance indicators over time:

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

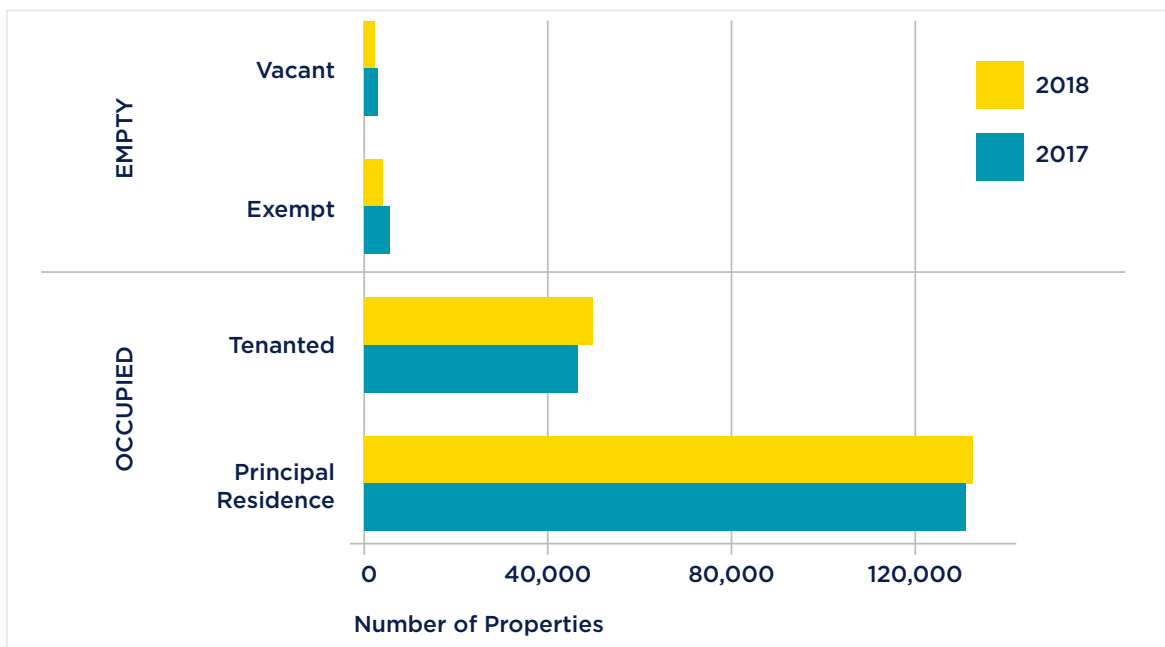
Data to date on these indicators and a discussion of trends for 2017 and 2018 is available in the data appendix to this report.



## VANCOUVER DECLARATIONS: VACANCY AND GEOGRAPHIC DATA

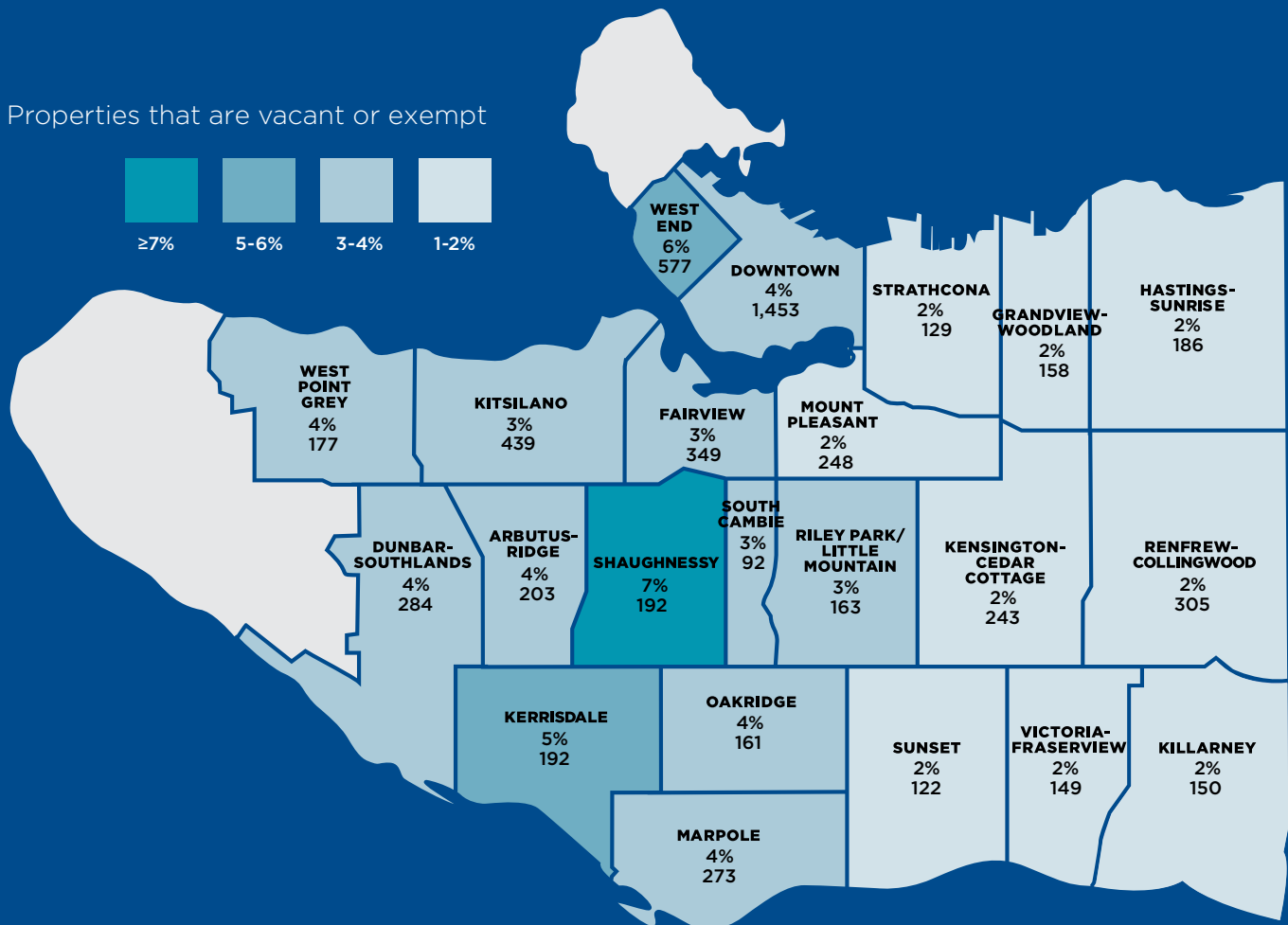
Property Status: 2017 and 2018 Tax Years

	2017	2018
<b>EMPTY</b>		
Exempt	5,383	4,256
Vacant	2,538	1,989
<b>OCCUPIED</b>		
Principal Residence	131,347	132,815
Tenanted	46,770	50,102
<b>Total</b>	<b>186,038</b>	<b>189,162</b>



# 2018 EHT VACANT & EXEMPT PROPERTIES

(6,245 total – shown as percentage of total/number of properties)



Like last year, the majority of the exempt and vacant properties are condominiums, which account for 58% of combined exempt and vacant properties.

Aligning with the high density of condos in the downtown core, the largest number of vacant and exempt properties was recorded in Downtown Vancouver. The West End 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
Revenue (Tax Levy)	\$38.0	\$39.4
Revenue (Penalties and Fines)	\$1.1	\$1.8
<b>Collected</b>	<b>\$33.6</b>	<b>\$23.3</b>

Revenue increased in 2018 compared to 2017 even though the number of vacant properties went down. 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 is rolled into the next year's revenue results.

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



## 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 new tax.

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, 2018 to November 1, 2019 are outlined below, along with a comparative for the prior year period ending November 1.

	Period to November 1	
	2019	2018
<b>Total Audits Completed</b>	<b>8,457</b>	<b>6,231</b>
<b>Non-compliant Audits</b>	<b>892</b>	<b>331</b>
<b>Non-compliance Rate</b>	<b>10.5%</b>	<b>5%</b>

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, 2018 to November 1, 2019 was \$22.1 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 additional audits may be initiated related to the 2018 reference year in the future. As a result, revenue generated from audit activities may be adjusted in future years.

## Complaints

Complaints for the 2018 reference year were primarily triggered in the instance that a property owner was selected for audit and disagreed with the determination or declined to provide supporting documents and other information at the audit stage of the process. Complaint volumes decreased from 2017 because most of the complaints in that year were the result of property owners who failed to make a declaration on time, which required them to submit a Notice of Complaint to contest the tax levy and have the tax rescinded. In 2018, a new process to accept late declarations was created in order to help streamline and simplify this process for homeowners.

Total complaints received by the vacancy tax review officer to November 1, 2019, are as follows:

	Period to November 1	
	2019	2018 *
<b>Accepted</b>	<b>346</b>	<b>1,207</b>
<b>Rejected</b>	<b>237</b>	<b>252</b>
<b>Total</b>	<b>583</b>	<b>1,459</b>

\* 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 go through the full complaint process in order to have the tax rescinded. For 2018, the City created a late declaration process that allowed property owners to submit a late declaration online after paying a required by-law fine for missing the declaration deadline. This made the process much more streamlined for property owners and more efficient for the City as it significantly reduced the number of complaints received.



## Review panel

	Period to November 1	
	2019	2018
<b>Accepted</b>	<b>35</b>	<b>8</b>
<b>Rejected</b>	<b>95</b>	<b>39</b>
<b>Total</b>	<b>130</b>	<b>47</b>

All review requests go to an external panel for a property status determination. This is the last appeal stage to determine the property status and the status given 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

In Spring 2018, Council instructed staff to embark on a public consultation effort to solicit input from Vancouver residents about how they would like to see the initial \$8 million in revenue from the EHT used to support affordable housing in the city. Council allocated a further \$20 million in December 2018 toward initiatives to address housing supply and affordability, to improve availability and supports for renters and vulnerable citizens, and to deepen affordability of social housing for people experiencing homelessness, people on social assistance and disability and people on pensions. Specific projects were not identified at that time, however Council has approved a number of initiatives throughout 2019 toward the \$20 million allocation.

In addition, the EHT revenue collected to date is sufficient to cover the one-time implementation costs of \$7.5 million and 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 tables below and on the following page summarizes direction received from Council and feedback from Vancouver residents on funding

priorities for EHT, as well as providing a more detailed description of the specific funding allocations approved to date and some new recommended allocations for the remaining available EHT funds. These new recommendations will be brought to Council for approval through upcoming Council reports or the Draft 2020 Budget. Funds shown as available for emerging priorities were recently collected and have not yet been recommended for a particular project.



### Renters Advocacy and Services

In June 2019, the City added additional measures to improve support and advocacy for the needs of renters, and to better assist renters at risk of displacement. The following initiatives are already underway.

#### Renters Enquiry Line

- The City's Renters Enquiry staff are available to answer questions on renter protection policies and assist renters in finding building-specific information, such as the status of redevelopment or renovation permits.

#### Renter Services Grants

- Designed to support non-profit community-based programs that assist and empower Vancouver renters to understand their rights, pursue their rights, and/or secure their housing. Renter Services grants are intended to elevate and enhance, not simply maintain, an organization's capacity to support renters. The first round of grants closed for applications on October 25, 2019.

#### New Tenant Relocation and Protection (TRP) Policy

- The updated TRP Policy provides increased compensation and support for tenants and requirements for ongoing communication from landlords. The updates to the policy aim to reduce the impact of relocation on existing tenants, and provide enhanced supports to residents based on need.

#### City of Vancouver Renter Advocacy and Services Team

- A team which spans City departments is being established to identify opportunities to better support renters across all City departments and services.

Finally, City staff are developing a community-based Renter Centre (projected opening 2021) that can provide a location to gather key renter-serving organizations, including City services, so that Vancouver renters can access supports, education, and legal advocacy in one place.



## Community Housing Incentive Program

The \$25 million 2019-2022 Community Housing Incentive Program will provide housing providers with grants that will increase the affordability of social and co-op housing projects.

The new program is a key way to deliver on the goals of Housing Vancouver 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 funders, including federal and provincial partners. Each grant under the new program would be a capital contribution towards the development of non-profit or co-op housing projects, resulting in deeper affordability.

The new program replaces the Housing Infrastructure Grant Program, which between 2015 and 2018 supported 10 projects, provided \$10.8 million in grants, and enabled the delivery of 780 non-market homes.

## Ross House

The City purchased Ross House, a Single Room Occupancy building at 313 Alexander Street, in July 2019. The building is a three-storey walk up with 24 rooms (including six self-contained units) in the Downtown Eastside which will offer non-market housing. An RFP will be issued shortly to find a non-profit operator. The RFP will support the implementation of Council priorities to maintain and increase housing options for LGBTQ and trans, gender diverse and Two-Spirit people (TGD2S), as well as enable creative partnerships to support Japanese-Canadian and Indigenous culture and heritage through public art, events and programming, and heritage rehabilitation.

Priority from Public Engagement	Project Description	Funding Allocation \$ millions
Acquire or provide land and resources for affordable non-profit and co-op housing	Increasing affordability to meet needs of local seniors.	2.00
	New multi-year housing capital grants, as part of a new Community Housing Incentive Program to deepen affordability of social housing and meet affordability targets in Housing Vancouver.	17.00
	Funding for staff working on affordable housing projects	4.47
Grants to update, improve, and build co-op housing	More co-op housing grants	1.00
Increase supply and improvement low income housing and shelter options	Purchase of Ross House	3.80
	Funding to implement the City's private SRO Revitalization Strategy including fire safety and more and quicker investment into rooms needing repair – three-year program	1.70
	Exploring new models and expanding shelter capacity, subject to Provincial partnership	2.75
Support for existing renters	Renters Advocacy and Services	5.65
	Rent bank	0.08
	New grants to build capacity with organizations to support renters including advocacy and services.	0.10
Funding for skills training & peer support in Supportive Housing	Implementation of Temporary Modular College	0.10
Emerging initiatives		1.0
<b>TOTAL:</b>		<b>\$39.7</b>



## CONCLUSION

In the second year of the EHT, we are seeing some encouraging trends in our EHT Key Performance Indicators that indicate the tax is an important tool to tackle our City's housing crisis. We are also excited to be able to launch many new initiatives to improve living conditions and increase the supply of affordable housing. Staff will continue to monitor the impact of EHT on housing supply and affordability, as part of the City's broader set of actions in its 10-year Housing Vancouver strategy.

For additional information on the EHT program, please visit [vancouver.ca/ehf](https://vancouver.ca/ehf).

## DATA APPENDIX

As part of the EHT Annual Report, staff plan to 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. The first set of indicators is included below. Staff intend to expand this list of indicators over time to include additional metrics suggested by academic partners and other stakeholders.

Indicator	Key Trends for 2017 - 2018
<b>1. Number of properties required to declare</b>	<p><b>Increase in properties required to declare EHT</b></p> <ul style="list-style-type: none"> <li>The number of 100% Class 1 residential properties required to declare increased by 1.7% (3,124 properties) between 2017 and 2018. This is driven by new properties being added to the BC Assessment tax roll</li> </ul>
<b>2. Change in vacant and exempt properties</b>	<p><b>Reduction in vacant and exempt properties from 2017 to 2018</b></p> <ul style="list-style-type: none"> <li>In 2018, 6,245 properties were vacant or exempt (approximately 3.3% of all properties); this is 1,676 fewer units than in 2017, a 21% reduction</li> <li>In 2018, 1,989 properties (approximately 1.1% of all properties) were vacant; this is 549 fewer units than in 2017, a 22% reduction</li> </ul>
<b>3. Breakdown of exemptions by type</b>	<p><b>Property transfer is the largest exemption category, followed by renovation and strata rental restriction</b></p> <ul style="list-style-type: none"> <li>The majority (40%) of exempt properties in 2018 claimed the property transfer exemption; 34% claimed the renovation exemption, and 14% claimed the strata rental restriction exemption</li> <li>Most properties (70%) claiming transfer in 2018 were condos; most properties (82%) claiming renovation were single family homes</li> </ul>
<b>4. Change in tenanted properties</b>	<p><b>Increase in tenanted properties from 2017 to 2018</b></p> <ul style="list-style-type: none"> <li>We now have a source of data to tell us about tenancy in the secondary rental stock (e.g. rented condos and single-family homes/suites)</li> <li>There was a net increase of 3,332 tenanted properties between 2017 and 2018; this includes a net increase in 2,277 tenanted condominiums, and a net increase in 760 single family homes</li> <li>This data doesn't tell us specifically about 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 house</li> <li>We also see significant flows between categories in and out of tenanted – indicating overall that this stock is less secure than PB rental</li> </ul>
<b>5. Occupancy status of previously vacant properties</b>	<p><b>2017 vacant properties are converting to occupied</b></p> <ul style="list-style-type: none"> <li>Out of 2,538 properties declared vacant in 2017, 1,199 (47%) were occupied in 2018 (641 tenanted, 448 principal residences, and 110 principal residences of a permitted occupant)</li> </ul>
<b>6. Average assessed value of vacant property vs. all properties</b>	<p><b>Vacant property has a higher assessed value than properties overall</b></p> <ul style="list-style-type: none"> <li>For 2018, the average assessed value of a vacant condo (\$1.4M) is 53% higher than the average condo (\$0.9M)</li> <li>The average assessed value of a vacant single family home (\$3.4M) is 40% higher than the average single family home (\$2.4M)</li> <li>Overall the average assessed value of vacant properties was \$1.8M compared to the average value of \$1.7M for all properties</li> </ul>

## DETAILED DATA

### Indicator #1: Number of properties required to declare<sup>1</sup>

Indicator	2017	2018	Change
Condo	95,734	98,566	+ 2,832
Single Family Including Duplex	80,687	80,638	-49
Other	9,617	9,958	+ 341
<b>Total</b>	<b>186,038</b>	<b>189,162</b>	<b>3,124</b>

### Indicator #2: Change in vacant and exempt properties

#### Number of vacant and exempt properties by property type, 2017 and 2018

	Vacant 2017	Vacant 2018	Exempt 2017	Exempt 2018	Vacant + Exempt 2017	Vacant + Exempt 2018
Condo	1,981	1,535	2,750	2,082	4,731	3,617
Single Family	458	370	2,271	1,843	2,729	2,213
Other	99	84	362	331	461	415
<b>Total</b>	<b>2,538</b>	<b>1,989</b>	<b>5,383</b>	<b>4,256</b>	<b>7,921</b>	<b>6,245</b>

#### Vacant and exempt properties by property type, 2017 and 2018

Indicator	Vacant 2017%	Vacant 2018%	Exempt 2017%	Exempt 2018%	Vacant + Exempt 2017%	Vacant + Exempt 2018%
Condo	2.1%	1.6%	2.9%	2.1%	4.9%	3.7%
Single Family	0.6%	0.5%	2.8%	2.3%	3.4%	2.7%
Other	1.0%	0.8%	3.8%	3.3%	4.8%	4.2%
<b>Total</b>	<b>1.4%</b>	<b>1.1%</b>	<b>2.9%</b>	<b>2.2%</b>	<b>4.3%</b>	<b>3.3%</b>

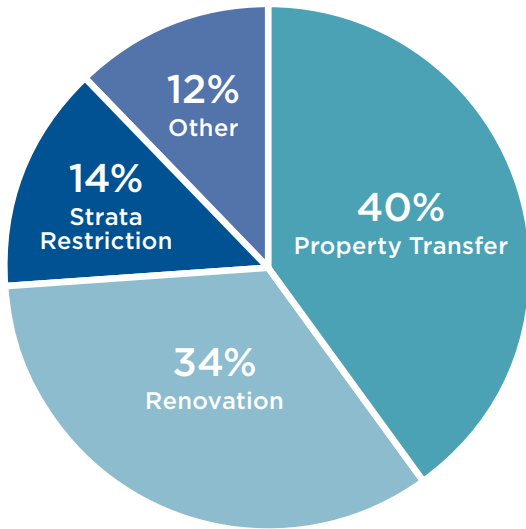
<sup>1</sup> Housing categories were developed by grouping BC Assessment Use Codes. Duplexes are included in the single family category, and row houses are included in the condominium category. Other includes non-stratified multi unit buildings and other miscellaneous codes e.g. strata parking stalls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

**Indicator #3: Breakdown of exemptions by type**

**Breakdown of properties by property type that qualified for exemptions in 2017 and 2018**

	Property Transfer 2017	Property Transfer 2018	Redevelopment/Renovation 2017	Redevelopment/Renovation 2018	Strata Restriction 2017	Strata Restriction 2018	Other 2017	Other 2018
Condo	1,629	1,173	101	96	536	606	207	207
Single Family Including Duplex	805	493	1,195	1,193	1	0	120	157
Other	28	17	156	157	0	1	106	156
<b>Total</b>	<b>2,462</b>	<b>1,683</b>	<b>1,452</b>	<b>1,446</b>	<b>537</b>	<b>607</b>	<b>642</b>	<b>520</b>

**Breakdown of properties that qualified for an exemption 2018**



**Indicator #4: Change in tenanted properties**

	2017	2018	Change
Condo	28,809	31,086	+2,277
Single Family	10,549	11,309	+760
Other	7,412	7,707	+295
<b>Total</b>	<b>46,770</b>	<b>50,102</b>	<b>+3,332</b>

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

**Status of 2017 vacant properties in 2018**

2018 Status	Total
<b>Occupied</b>	
Principal Residence	558
Tenanted	641
<b>Occupied Total</b>	<b>1,199</b>
<b>Exempt</b>	
<b>Exempt Total</b>	<b>225</b>
<b>Vacant Total</b>	<b>1,088</b>
<b>Total</b>	<b>2,512</b>

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

	Vacant 2018	2018 All Properties Declaring	% Higher Assessment
Condo	\$1.4M	\$0.9M	53%
Single Family	\$3.41M	\$2.4M	40%
<b>Total</b>	<b>\$1.8M</b>	<b>\$1.7M</b>	



**For More Information:**

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