

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.

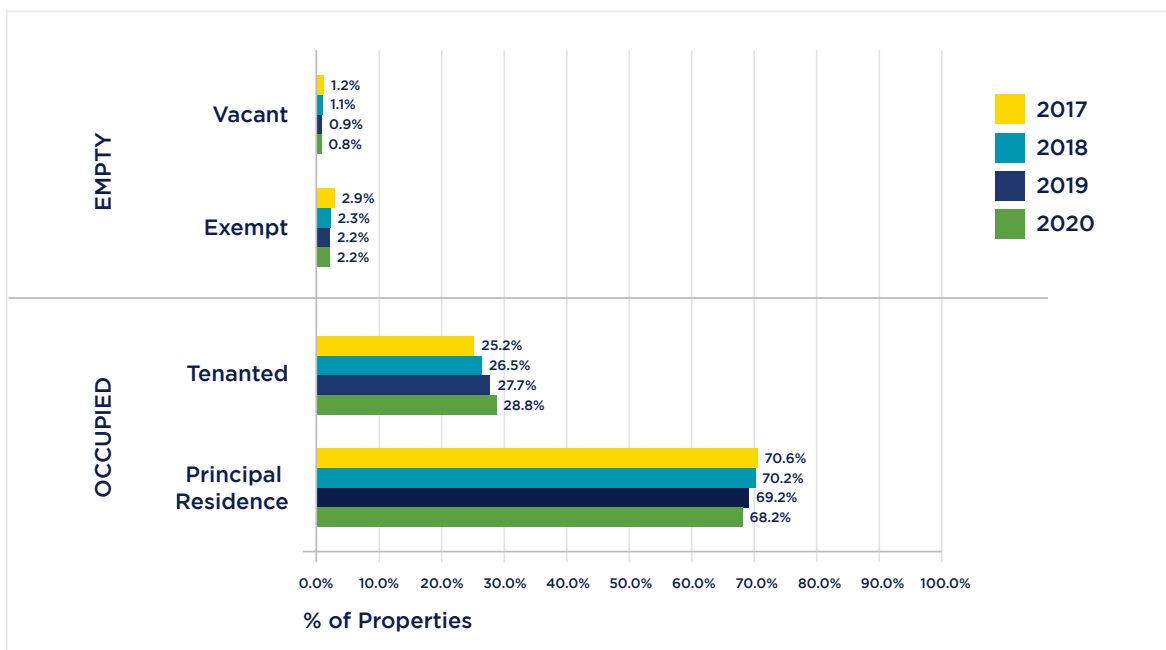


VANCOUVER DECLARATIONS: VACANCY AND GEOGRAPHIC DATA³

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

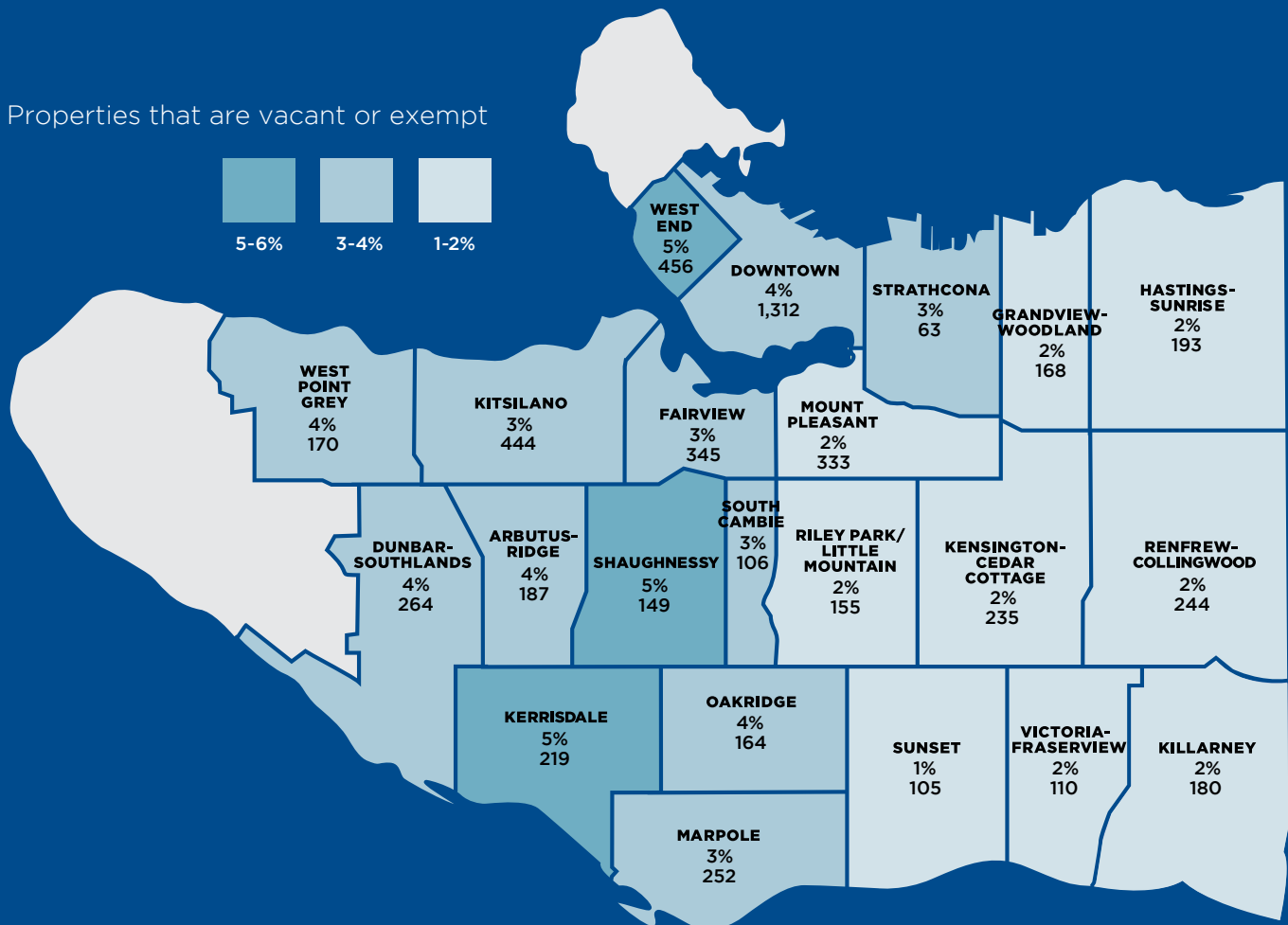
*Includes properties declared, determined and deemed vacant.



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

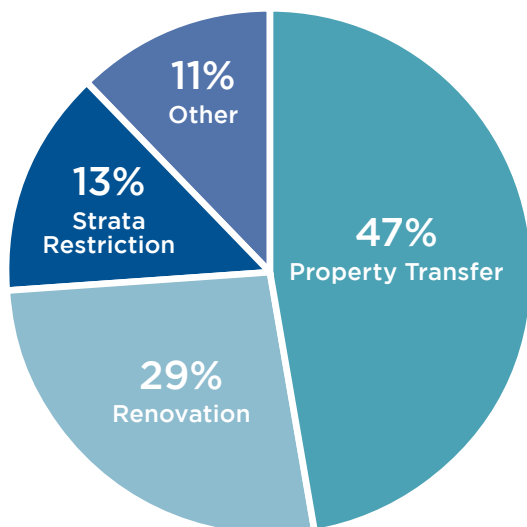
Breakdown of properties by property type that qualified for an exemption⁵:

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:

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