

# Empty Homes Tax Annual Report

2021 Vacancy Reference Year  
(January 1, 2021 to December 31, 2021)

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Activity to November 1, 2022



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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 these housing affordability and availability challenges and to 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 EHT's purpose is to encourage residential property owners to return empty and under-used properties to the market as long-term rental homes.

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.

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, 2022.

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](https://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 that are declared, determined, or deemed vacant<sup>1</sup> are subject to a tax on the property's assessed taxable value. The tax rate was 1% at inception in 2017 and increased to the 3% for the 2021 vacancy reference year. **The tax rate will increase to 5% for the 2023 vacancy reference year.**

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 the 2017 to 2021 reference years, the number of vacant properties decreased by 36% 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<sup>2</sup> (CMHC) observed a significant shift toward long-term rental in Vancouver following the introduction of EHT, with an increase of 5,920 condominium units in the long-term rental stock between their surveys in 2018 and 2019. The overall number of condominium units in the rental pool reported by CMHC continued to increase in 2020 (+2,455 units) and 2021 (+615 units).

Since the tax launched, more than \$115.3 million of net revenues from the tax has been allocated to support affordable housing initiatives in Vancouver.

<sup>1</sup> Properties that have not made a property status declaration are "deemed" vacant. Properties are "determined" vacant through the compliance process (audit, complaint or review).

<sup>2</sup> Differences in data collection methodology for rented condominiums in the CMHC Rental Market Report may not always align with EHT property status data.

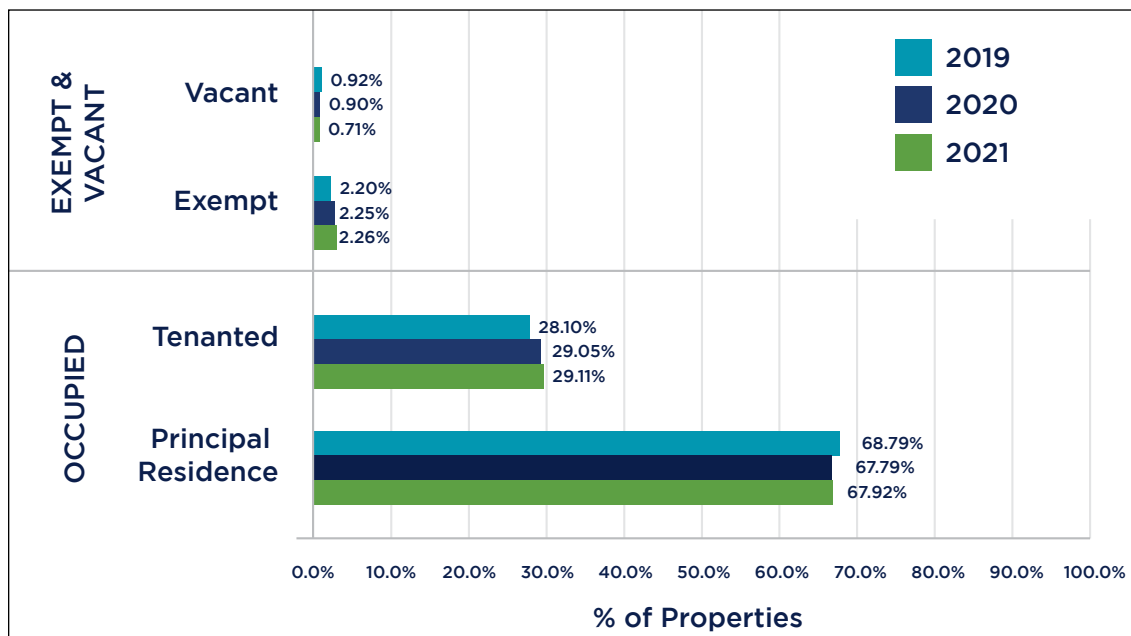


## VANCOUVER DECLARATIONS: VACANCY AND GEOGRAPHIC DATA<sup>3</sup>

Property Status: 2019 to 2021 Tax Reference Years

	2019	2020	2021
<b>EXEMPT &amp; VACANT</b>			
Exempt	4,226	4,392	4,440
Vacant*	1,762	1,755	1,398
<b>OCCUPIED</b>			
Principal Residence	132,153	132,205	133,422
Tenanted	53,976	56,660	57,181
<b>Total</b>	<b>192,117</b>	<b>195,012</b>	<b>196,441</b>

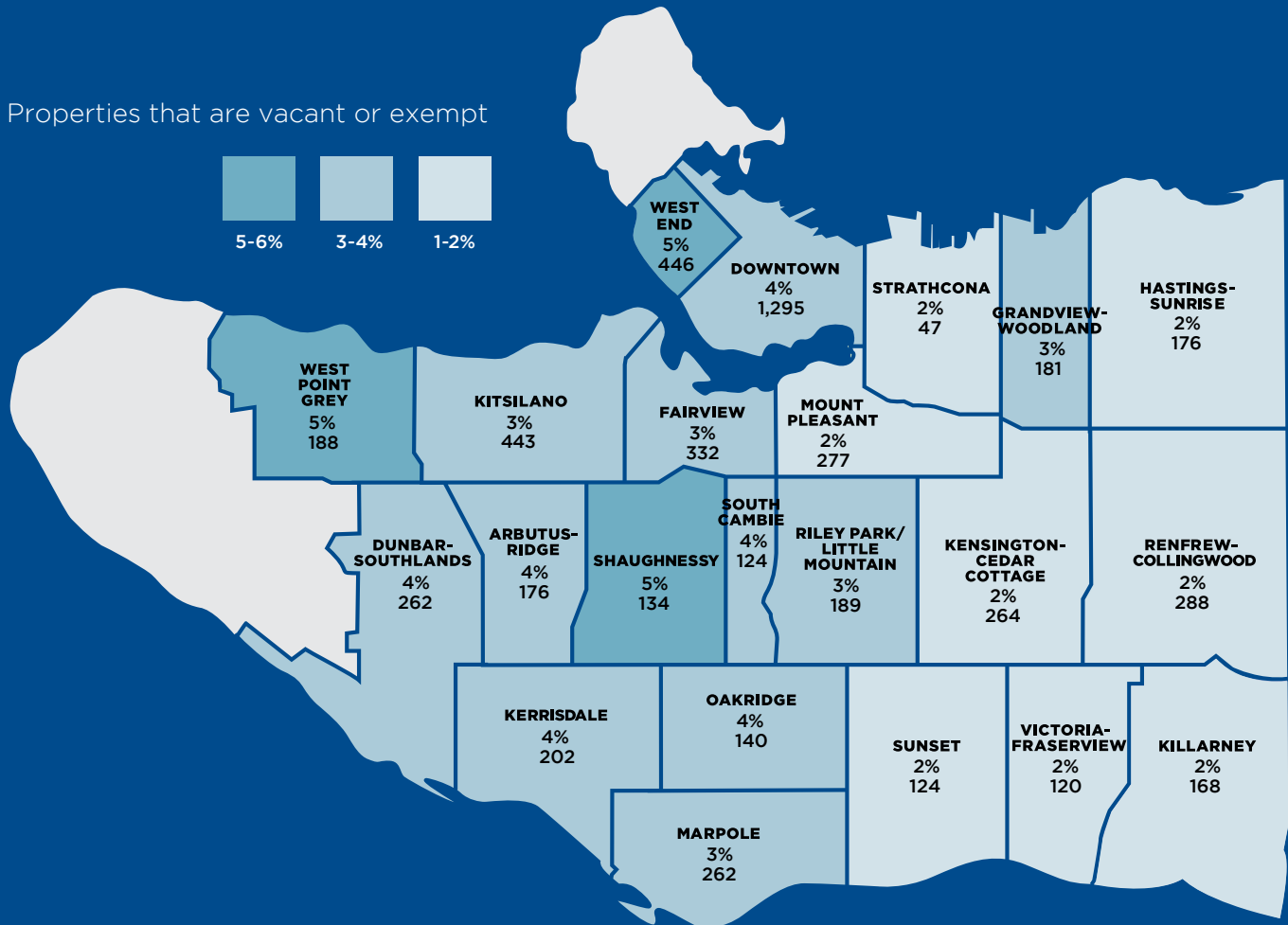
\*Includes properties declared vacant, determined vacant through the compliance process, and deemed vacant (properties that have not made a property status declaration).



<sup>3</sup> Some data for the 2019 and 2020 vacancy reference years has been restated to reflect compliance activities since data for those years was reported in prior annual reports.

# 2021 EHT VACANT AND EXEMPT PROPERTIES

(5,838 TOTAL – SHOWN AS PERCENTAGE OF TOTAL/NUMBER OF PROPERTIES IN NEIGHBOURHOOD)



Similar to the prior year, the majority of exempt and vacant properties are condominiums, which account for 56% 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. West Point Grey, 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 by activity for the period ending November 1.

	2020 \$ Millions	2021 \$ Millions	2022 \$ Millions
Tax Levy	\$36.0	\$26.0	\$67.0
Penalties	\$1.9	\$1.8	\$1.8
Total Tax and Penalties	\$37.9	\$27.8	\$68.8
Collected	\$27.9	\$20.8	\$32.5

Revenue increased in the current activity period mainly due to the increase in the vacancy tax rate from 1.25% for the 2020 vacancy reference period to 3% for the 2021 vacancy reference period. In addition, the average assessed value of vacant property increased by 23% in 2021.

Annual revenue for each year is estimated at November 1, even though late declaration and compliance activities continue for a longer time period. Additional revenue after November 1, 2022 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 8.7% 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 reinforcing 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, 2021 to November 1, 2022 are outlined below, along with a comparison to the prior year ending November 1.

	Period to November 1*		
	2020	2021	2022
Audits Completed	9,289	9,876	12,806

\* The number of audits completed in each activity period include audits for multiple vacancy reference years. For the period ending November 1, 2022, 55% of audits completed were for the 2021 vacancy reference year, and the remainder related to prior vacancy reference years.

The effective non-compliance rate of the EHT audit program since inception by vacancy reference year, net of appeal outcomes to November 1, 2022, is shown below:

Effective Non-Compliance Rate by Vacancy Reference Year			
	2019	2020	2021*
Audits Completed	9,814	11,890	7,072
Non-Compliant Audits	593	576	104
Non-Compliance Rate	6.0%	4.8%	1.5%

\* Many audits for the 2021 vacancy reference period are still in progress, and audits for the 2021 vacancy reference period can be initiated until December 31, 2023.

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, 2021 to November 1, 2022 was \$11.4 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.

## 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 notice 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, 2022, are as follows:

	Period to November 1*		
	2020	2021	2022
<b>Accepted*</b>	<b>403</b>	<b>900</b>	<b>761</b>
<b>Rejected</b>	<b>156</b>	<b>171</b>	<b>110</b>
<b>Total</b>	<b>559</b>	<b>1,071</b>	<b>871</b>

\* Most of the accepted complaints related to property owners who were originally deemed vacant because they failed to make a declaration. For 2022, 31% of the accepted complaints were for properties previously deemed vacant. 59% of the complaints completed in 2022 related to owners who disagreed with their non-compliant audit determination.

Property owners whose complaints were rejected were required to pay the tax or request a review of their case from the external review panel.

## Review panel

Total reviews completed by the external vacancy tax review panel from November 2, 2021 to November 1, 2022, are as follows:

	Period to November 1		
	2020	2021	2022
<b>Accepted</b>	<b>14</b>	<b>11</b>	<b>9</b>
<b>Rejected</b>	<b>44</b>	<b>58</b>	<b>70</b>
<b>Total</b>	<b>58</b>	<b>69</b>	<b>79</b>

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.

## Late Declarations

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



## USE OF FUNDS

Since the inception of the Empty Homes Tax, \$115.3 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.

Money collected from the EHT is first allocated to cover annual operating costs associated with administering the tax 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, 2021 to November 1, 2022).

### Community Housing Incentive Program (CHIP)

The 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 spring 2022, two grants were approved by Council, awarding \$5.5 million to Brightside Community Homes for the redevelopment of Alice Saunders House, creating 146 new homes (82 net new units), and \$6.0 million to Soroptomist International Vancouver for the redevelopment of a 21 unit apartment, to create 135 new homes for women including seniors, single women and working professionals. In July 2022, a grant of \$4.8 million was approved for

the redevelopment of First United Church at Gore and Hastings, in partnership with Lu'ma Native Housing, creating 103 new units at deep levels of affordability.

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 \$60 million will be added to the 2023-2026 Capital Plan to support additional CHIP Grants and other non-profit capital 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.

## EHT FUNDING AVAILABLE FOR THIS REPORTING PERIOD\*:

Priority	Project Description	Funding Allocation \$ millions
	Funding for land acquisition and CHIP grants	15.0
	Funding for staff working on affordable housing projects	3.6
	Emerging priorities	10.1
	<b>TOTAL:</b>	<b>\$28.7</b>

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



# APPENDIX 1: KEY EHT PROGRAM INDICATORS BY VACANCY REFERENCE YEAR

As part of the EHT Annual Report, staff report on selected 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 2019 and 2020 vacancy reference years has been restated to reflect compliance activities since data for those years was reported in prior annual reports.

Indicator	Key Trends
<b>1. Number of properties required to declare</b>	<b>Increase in properties required to declare EHT</b> <ul style="list-style-type: none"> <li>The number of Class 1 residential properties required to declare increased by 0.7% (1,429 properties) between 2020 and 2021, which is mainly due to newly constructed properties added to the property tax roll.</li> </ul>
<b>2. Change in vacant and exempt properties</b>	<b>Reduction in vacant and exempt properties from 2020 to 2021</b> <ul style="list-style-type: none"> <li>In 2021, 4,440 properties (approximately 2.3% of all properties) were exempt; this is 48 more units than in 2020 (1.1% increase).</li> <li>In 2021, 1,398 properties (approximately 0.7% of all properties) were vacant; this is 357 fewer units than in 2020 (20.3% reduction).</li> </ul>
<b>3. Breakdown of exemptions by type</b>	<b>Property transfer is the largest exemption category, followed by renovation and strata rental restriction</b> <ul style="list-style-type: none"> <li>The majority (49%) of exempt properties in 2021 claimed the property transfer exemption; 30% claimed the renovation exemption, and 11% claimed the strata rental restriction exemption.</li> <li>Most properties (61%) claiming transfer in 2021 were condos; most properties (74%) claiming renovation were single-family homes.</li> </ul>
<b>4. Change in tenanted properties</b>	<b>Increase in tenanted properties from 2020 to 2021</b> <ul style="list-style-type: none"> <li>There was a net increase of 521 tenanted properties between 2020 and 2021; this includes an increase of 655 tenanted condominiums, net of decreases of 99 single-family homes, and 45 of other property types.</li> <li>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.</li> <li>Significant flows were also observed between categories in and out of tenanted, indicating overall that this stock is less secure than purpose-built rental.</li> </ul>
<b>5. Occupancy status of previously vacant/properties</b>	<b>Properties vacant in 2020 converted to occupied in 2021</b> <ul style="list-style-type: none"> <li>Of the 1,755 vacant properties in 2020, 49% were occupied in 2021 (29% principal residences, 20% tenanted).</li> </ul>
<b>6. Average assessed value of vacant property vs. all properties</b>	<b>Vacant property has a slightly higher assessed value than properties overall</b> <ul style="list-style-type: none"> <li>For 2021, the average assessed value of a vacant condo (\$1.2M) is 11% higher than the average condo (\$1.1M).</li> <li>The average assessed value of a vacant single-family home (\$2.5M) is 6% higher than the average single-family home (\$2.4M).</li> <li>Overall, the average assessed value of vacant properties was \$1.9M compared to the average value of \$1.7M for all properties and 80% of vacant properties are condos.</li> </ul>

## APPENDIX 2: DETAILED DATA

Key data highlights for the 2019 to 2020 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 declare<sup>4</sup>

	2019	2020	2021	2020 to 2021 Change	
Condo	101,162	104,153	105,581	1,428	1.4%
Single Family Including Duplex	80,730	80,640	80,645	5	0.0%
Other	10,225	10,219	10,215	-4	0.0%
<b>TOTAL</b>	<b>192,117</b>	<b>195,012</b>	<b>196,441</b>	<b>1,429</b>	<b>0.7%</b>

### Indicator #2: Change in vacant and exempt properties<sup>4</sup>

#### Number of vacant and exempt properties by property type:

Condo	2019	2020	2021	2020 to 2021 Change	
Vacant	1,343	1,377	1,112	-265	-19.2%
Exempt	2,061	2,230	2,142	-88	-3.9%
<b>TOTAL</b>	<b>3,404</b>	<b>3,607</b>	<b>3,254</b>	<b>-353</b>	<b>-9.8%</b>

Single Family	2019	2020	2021	2020 to 2021 Change	
Vacant	337	307	221	-86	-28.0%
Exempt	1,800	1,775	1,869	94	5.3%
<b>TOTAL</b>	<b>2,137</b>	<b>2,082</b>	<b>2,090</b>	<b>8</b>	<b>0.4%</b>

Other	2019	2020	2021	2020 to 2021 Change	
Vacant	82	71	65	-6	-8.5%
Exempt	365	387	429	42	10.9%
<b>TOTAL</b>	<b>447</b>	<b>458</b>	<b>494</b>	<b>36</b>	<b>7.9%</b>

<sup>4</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

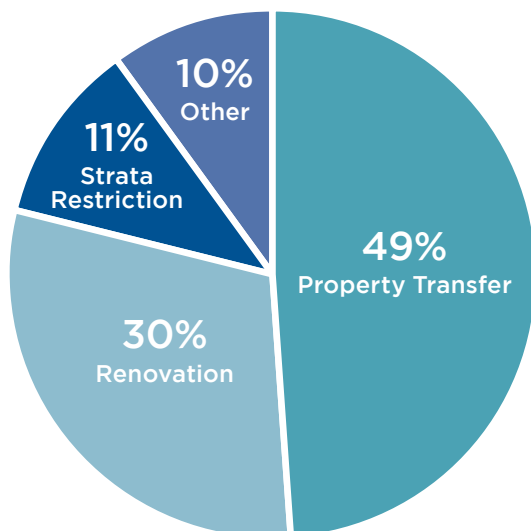
#### Breakdown of properties by property type that qualified for an exemption<sup>5</sup>:

Condo	2019	2020	2021	2020 to 2021 Change	
Property Transfer	1,132	1,283	1,323	40	3.1%
Redevelopment/ Renovation	87	126	138	12	9.5%
Strata Restriction	559	530	499	-31	-5.8%
Other	283	291	182	-109	-37.5%
<b>TOTAL</b>	<b>2,061</b>	<b>2,230</b>	<b>2,142</b>	<b>-88</b>	<b>-3.9%</b>

Single Family	2019	2020	2021	2020 to 2021 Change	
Property Transfer	510	672	794	122	18.2%
Redevelopment/ Renovation	1,121	917	973	56	6.1%
Strata Restriction	0	2	1	-1	-50.0%
Other	169	184	101	-83	-45.1%
<b>TOTAL</b>	<b>1,800</b>	<b>1,775</b>	<b>1,869</b>	<b>94</b>	<b>5.3%</b>

Other	2019	2020	2021	2020 to 2021 Change	
Property Transfer	20	15	44	29	193.3%
Redevelopment/ Renovation	169	182	197	15	8.2%
Strata Restriction	8	10	6	-4	-40.0%
Other	168	180	182	2	1.1%
<b>TOTAL</b>	<b>365</b>	<b>387</b>	<b>429</b>	<b>42</b>	<b>10.9%</b>

#### Breakdown of properties that qualified for an exemption in 2021:



<sup>5</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 #4: Change in tenanted properties<sup>6</sup>**

	2019	2020	2021	2020 to 2021 Change	
Condo	34,080	35,910	36,575	665	1.9%
Single Family	12,298	12,515	12,416	-99	-0.8%
Other	7,598	8,235	8,190	-45	-0.5%
<b>TOTAL</b>	<b>53,976</b>	<b>56,660</b>	<b>57,181</b>	<b>521</b>	<b>0.9%</b>

**Indicator #5: Occupancy status of previously vacant properties****Current status of 2020 vacant properties in 2021**

Status	2021
Principal Residence	507
Tenanted	361
<b>Occupied Total</b>	<b>868</b>
Exempt	158
Vacant	706
Declaration not required	23
<b>Total</b>	<b>1,755</b>

**Indicator #6: Average assessed value of vacant property vs. all properties<sup>6</sup>**

	Vacant 2021	All Properties 2021	% Higher Assessment
Condo	\$1.2M	\$1.1M	10.5%
Single Family	\$2.5M	\$2.4M	6.0%
<b>Total</b>	<b>\$1.9M</b>	<b>\$1.7M</b>	<b>7.4%</b>

<sup>6</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)



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