

# Empty Homes Tax Annual Report

January 1, 2017 to December 31, 2017 Tax Year

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Activity to November 1, 2018



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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. 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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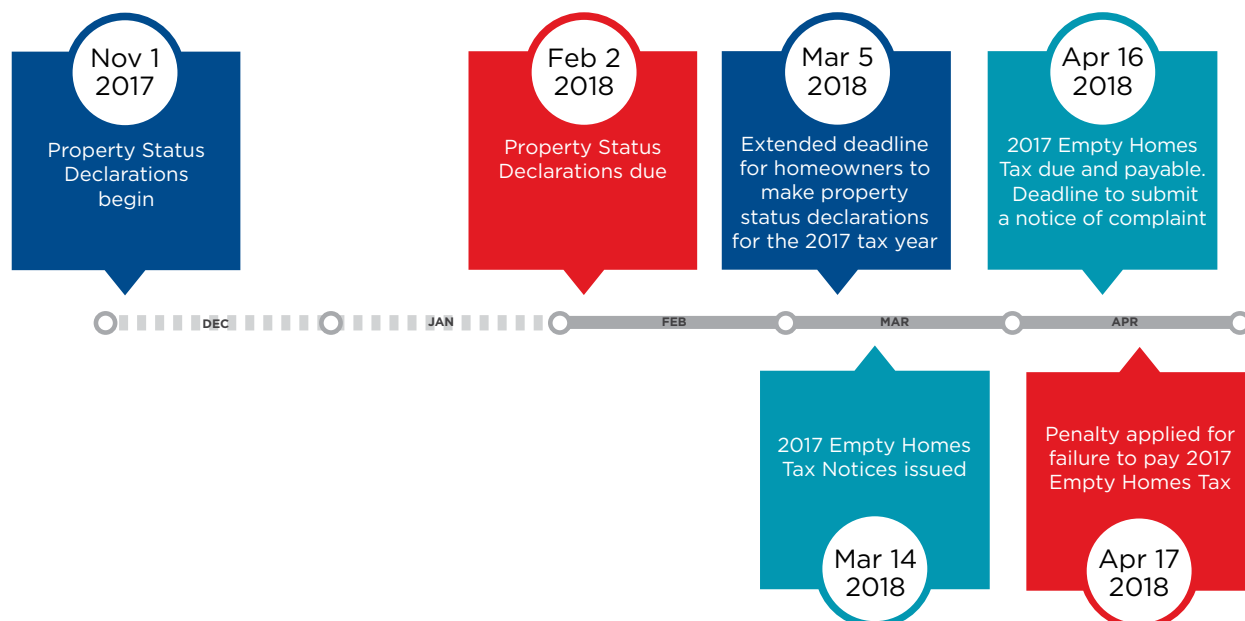
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## BACKGROUND

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. The EHT is applied annually, with the first tax reference year having begun on January 1, 2017. 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 by February 2, 2018, confirming the status of their property as occupied, exempt or vacant during the 2017 reference period. The EHT timeline during the first year of implementation was as follows:



This report is for EHT reference period January 1, 2017 to December 31, 2017 (2017 reference year). 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, 2018.

## WHY AN EMPTY HOMES TAX?

After hearing from more than 15,000 people and consulting with many experts, the City saw both support and need for a tax on empty homes in Vancouver. A 2016 City of Vancouver survey found that more than 90% of Vancouver residents surveyed agreed that empty homes were a problem; a separate poll by Angus Reid in 2015 found that 80% of Metro Vancouver residents were in support of a vacancy tax.

The EHT is the first tax of its kind in North America, and is intended to bring underutilized properties back into use as rental housing, limit speculative investment and ensure housing is used as homes first.

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/files/cov/2018-housing-vancouver-annual-progress-report-and-data-book.pdf](https://vancouver.ca/files/cov/2018-housing-vancouver-annual-progress-report-and-data-book.pdf)

### How Does the Empty Homes Tax Work?

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 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.

All owners of class 1 residential properties within the City of Vancouver are required to submit a property status declaration each year to determine if their property is subject to the tax. Most residential properties in Vancouver are not subject to the EHT. The tax rate is 1% of the property's assessed taxable value for the reference year.

Net revenues from the EHT will be reinvested into affordable housing initiatives within the City of Vancouver.

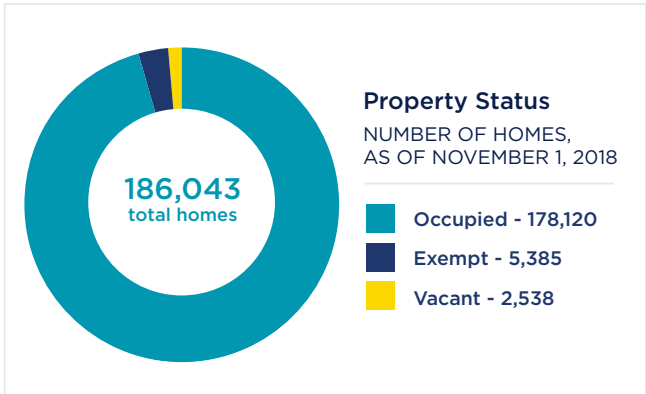
### Is the Empty Homes Tax Working?

Isolating the effect of a single policy like the EHT in a rental market as dynamic as the City of Vancouver is challenging. With the first year of declarations complete, staff will begin monitoring the changes in the number of vacant properties on an annual basis. Vacancy rates, which is a key metric for the EHT is tracked annually at the end of each year and will give an indication of the impact of the broad set of actions in the City's 10-year Housing Vancouver strategy. Staff are also continuously monitoring provincial actions, including the new Speculation and Vacancy Tax and changes to the Residential Tenancy Act, for potential impact to the Vancouver rental market.

Annual reporting on the Housing Vancouver strategy can be found at [vancouver.ca/housing](https://vancouver.ca/housing).

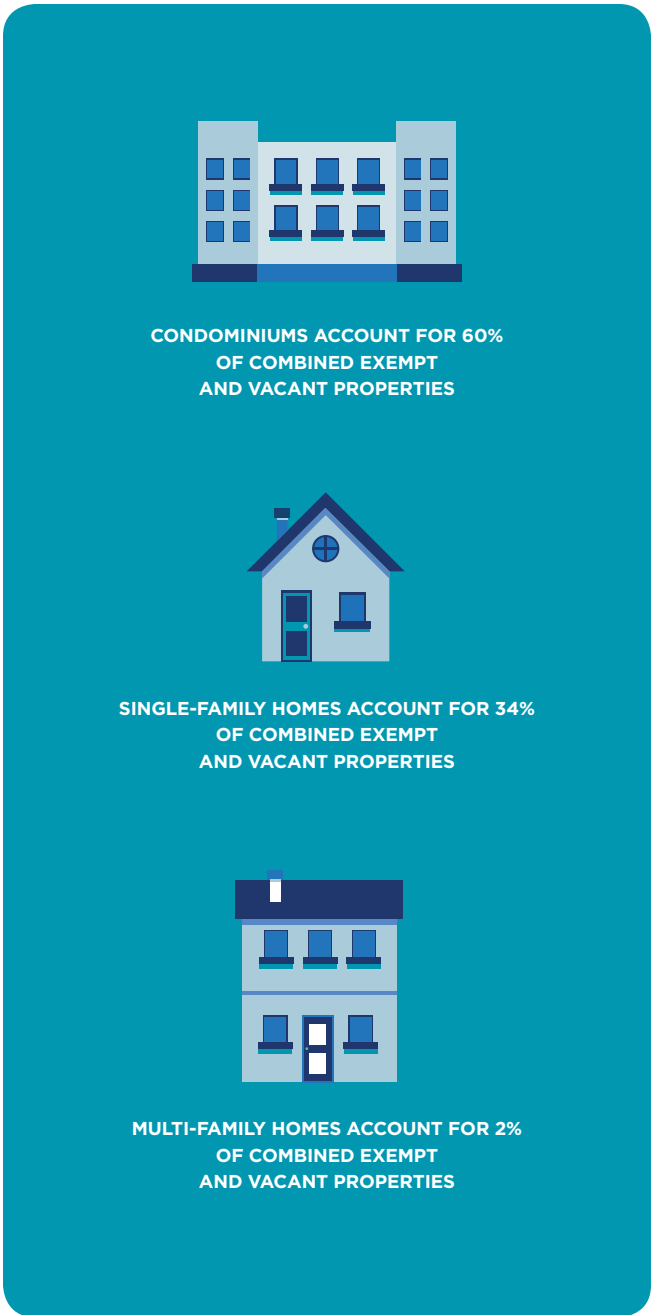
# VANCOUVER DECLARATIONS: VACANCY AND GEOGRAPHIC DATA

In April 2018, City staff released an early estimate of the number of vacant properties based on EHT declarations received to date. The initial property status as determined by the declarations has since been impacted by audit, complaint and review panel activities and is updated below.



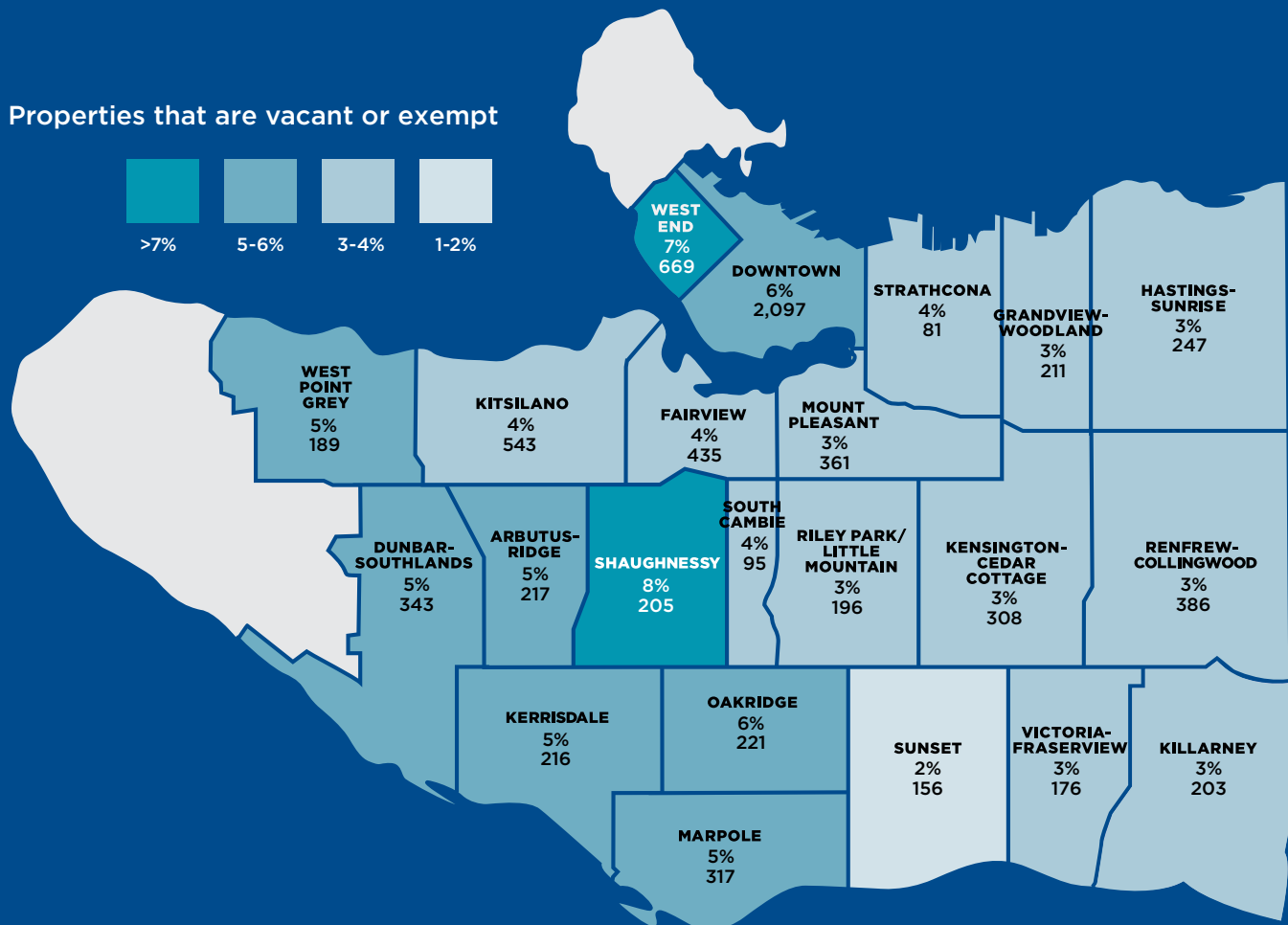
The majority of the exempt and vacant properties are condominiums, which account for 60% of combined exempt and vacant properties. Single-family homes account for 34% and multi-family homes for 2%.

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. This is illustrated on the following page.



# 2017 EHT Vacant and Exempt Properties

(7,923 total – shown as percentage of total/number of properties)



## Vancouver Goes Online

EHT declarations were collected from Vancouver property owners through three channels: online, over the telephone and in person. More than 92% of those required to declare chose to take advantage of the online channel as the fastest and easiest method of making the declaration.

The online success rate was assisted through technical and informational support provided by Vancouver Public Library staff across the city. In addition, instructional materials to help walk owners through the declaration process were available online and print in four languages and translation services were offered through 3-1-1.

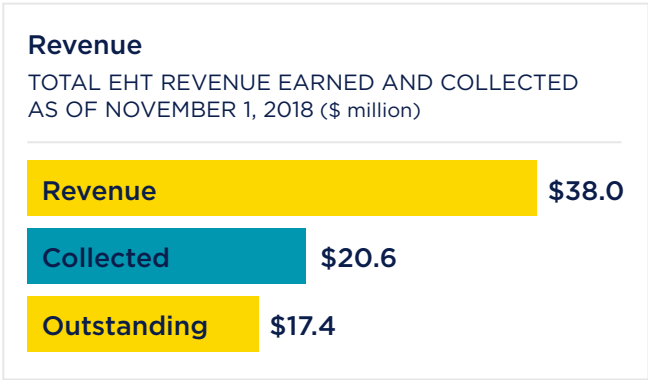
As the online declaration route proved the fastest and easiest method for property owners in Vancouver, the City was able to use this case to support the successful change for home owner grant submissions to move online just a few months later.

# MONIES RAISED

In order to determine which class 1 residential properties were taxable properties in accordance with the EHT by-law, property owners were asked to file a property status declaration. As of the deadline for filing the property status declaration, the City received more than 98% of the total required declarations. The total monies raised were ultimately impacted by audit, complaint and review panel activities following the declarations, which are discussed in further detail below. These activities are expected to continue into 2019 and will continue to impact the monies raised by the tax.

## Revenue

Total revenue of \$38.0 million from the EHT must be used for the purposes of initiatives respecting affordable housing.

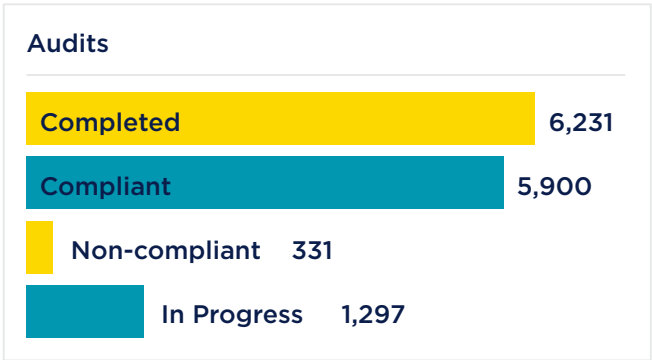


If a payment is not made by December 31, 2018, outstanding amounts may be added to the owner's property tax account and start accruing interest of approximately 7% starting January 2019. At the end of three years and if the taxes are still outstanding, the property would be publicly auctioned at a tax sale to recover the taxes owing.

## 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.



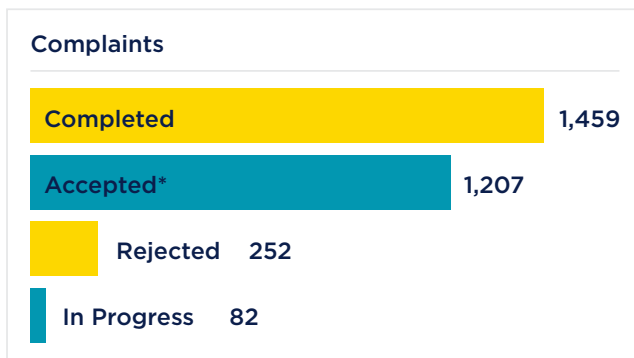
Property owners who were found to be non-compliant were invoiced for the EHT. Revenue generated from audit activities during the year was \$6.2 million. Owners found non-compliant in their audits have the opportunity to submit a complaint. If they are unsuccessful, owners may request a review by an external review panel. Many audits are still in progress and additional audits may be initiated related to the 2017 reference year in the future. As a result, revenue generated from audit activities may be adjusted in future years.

## Complaints

For the 2017 reference year, there were 2,132 property owners who failed to make a property status declaration and were initially deemed vacant. These owners were required to submit a notice of complaint, along with supporting evidence, for consideration and potentially to have the tax rescinded.

Complaints were also 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.

Total complaints received by the vacancy tax review officer, including those related to property owners who were deemed vacant because they did not make a declaration, to November 1, 2018 are as follows:



\* 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.



## Review panel

The review panel activities commenced in fall 2018 and are ongoing. As of the date of this report, the panel had completed 47 reviews and has accepted eight reviews (primarily as a result of new information on the case being submitted by the property owner at the time of the review request). For reviews that were accepted, the tax was rescinded.



# INTENDED USE OF FUNDS

## THE PUBLIC'S IDEAS FOR SPENDING EHT REVENUE

In April 2018, the City of Vancouver announced that the EHT was anticipated to generate an estimated \$30 million in revenue for the City, with the net revenue after costs to be invested into affordable housing initiatives.

Following the announcement of the anticipated revenue, the City launched an online platform where Vancouver residents could share their own ideas about how they would like to see the revenue from the EHT used to support affordable housing in the city. The three-week, online campaign garnered more than 130 ideas from the public, 5,160 likes and dislikes, and 442 comments. In total, there were 9,189 visitors and 626 registered users on the platform.

The City also hosted a one-day 'IdeaJam' workshop, which brought Vancouver housing stakeholders and members of the public together to develop and refine additional ideas. Thirty-one participants worked to generate a broad set of ideas, then refine those ideas to six key options to present to City Staff.

The top ideas generated through the online and in-person public consultation were key to informing the final set of recommended funding opportunities. The results are outlined the EHT 2018 Engagement Summary, available online at [vancouver.ca/files/cov/empty-homes-tax-summary-of-engagement-and-recommendations.pdf](https://vancouver.ca/files/cov/empty-homes-tax-summary-of-engagement-and-recommendations.pdf).

## FUNDING RECOMMENDATIONS FOR INITIAL EHT REVENUE

The EHT revenue collected to date is sufficient to cover the one-time implementation costs (\$7.5 million) and first-year (2018) operating costs (\$2.5 million) of the program. In accordance with Section 616(4) of the Vancouver Charter the remaining revenue can only be used for the purposes of initiatives respecting affordable housing.

On June 20, 2018, Council approved allocation of \$8 million (representing collected revenue less costs at the time of the decision) to affordable housing initiatives. The breakdown of the funding was presented to Council with the City staff's recommendations and is outlined below.

Recommendation	Idea from Public Consultation	Allocation
More affordable co-op and non-profit housing	Provide land and resources for affordable non-profit and co-op housing	\$3,175,000
	More co-op housing – grants to update and improve existing co-ops and build new co-ops	\$1,000,000
Improvements to low income housing	Improve living conditions in private SRO housing	\$3,500,000
Support for vulnerable renters	Support for renters facing eviction; renter protections	\$100,000
	Funding for Vancouver Rent Bank	\$75,000
Funding for skills training in peer support, affordable housing management, and asset management for residents of supportive housing	Temporary Modular College; peer-based mentoring for residents of TMH	\$100,000
Matching empty/underutilized homes and rooms with renters looking for housing	Shared housing models like senior/student housing arrangements	\$50,000
TOTAL:		\$8,000,000



## CONCLUSION

With the first year of Empty Homes Tax declarations complete, staff will continue to monitor the impact of the tax on housing supply and affordability, as part of the City's broader set of actions in its 10-year Housing Vancouver strategy. And, while it is challenging to isolate the effect of any single policy like the EHT in a rental market as dynamic as Vancouver's, the City will be looking to several key indicators to understand how City actions are registering in the market. An important source of data is the actual EHT property status declarations, which will indicate changes in the number of properties determined to be vacant on an annual basis. In 2017, the Canada Mortgage and Housing Corporation (CMHC) reported a slight increase in the primary rental market vacancy rate for the City and region from October 2016 to October 2017, from 0.8% to 0.9% for the City of Vancouver and from 0.7% to 0.9% for the region. CMHC Rental vacancy data for 2018 was unavailable as of the publishing date of this report. Staff will also report on trends in the primary rental vacancy rate, published annually by the CMHC each fall.

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



**For More Information:**

Visit: [vancouver.ca](http://vancouver.ca)

Phone: 3-1-1 TTY: 7-1-1

Outside Vancouver: 604-873-7000

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