



Encouraging Homes for Renters: Emerging Approach on Empty Homes

Presentation to City Council

September 20, 2016



Presentation Outline

- Why Address Empty Homes?
- Draft Objectives of the Empty Homes Tax
- Project History and Timeline
- BC Government Enabling Legislation
- Proposed Approach
- Recommendations
- Next Steps



The Housing Challenge:

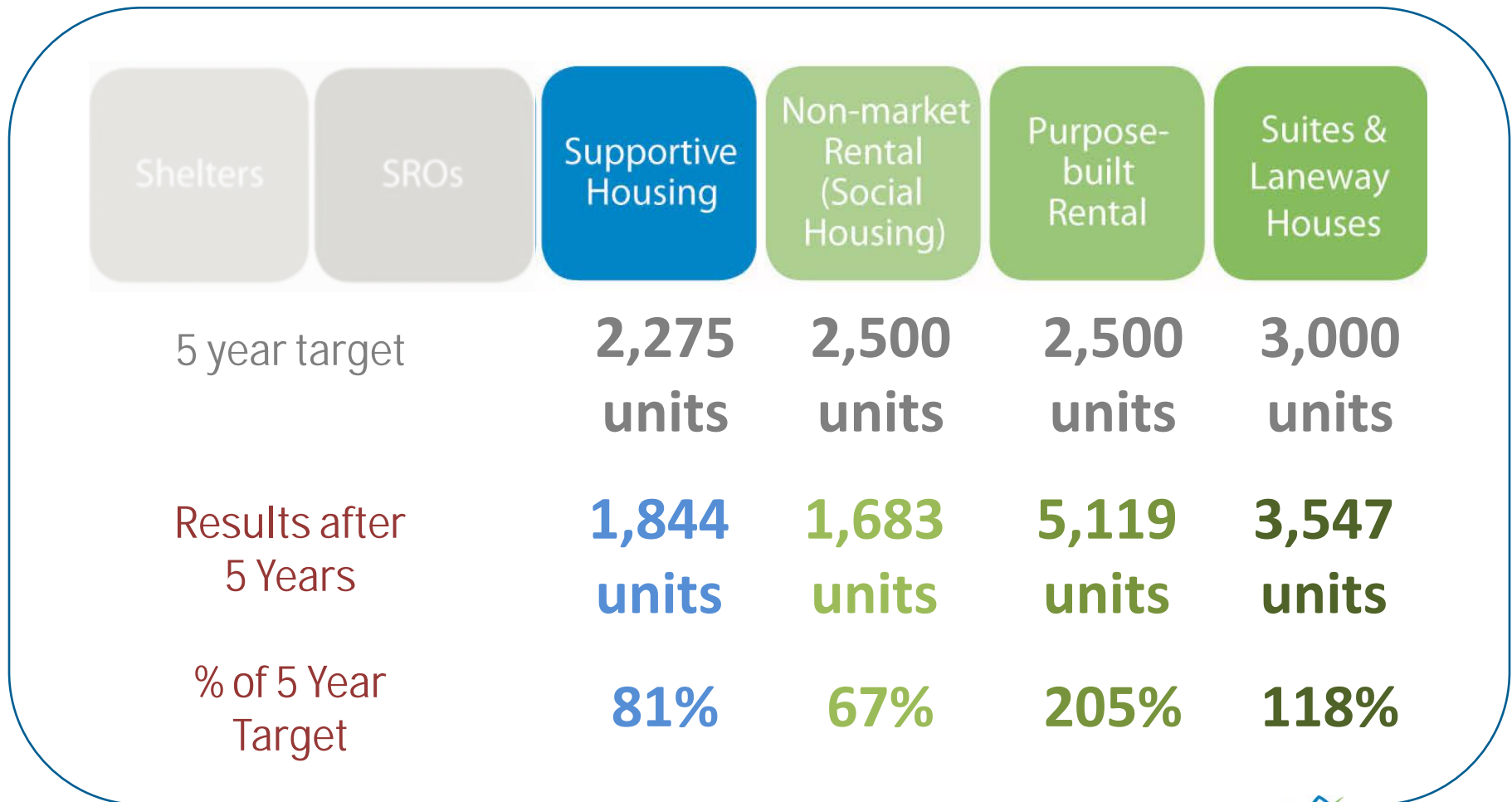
The City has been successful in creating new rental housing supply: meeting and exceeding council's targets



Despite this, we still have a housing affordability and availability challenge in Vancouver

Housing and Homelessness Strategy: Targets for New Rental Supply

We have enabled over 12,000 affordable homes since 2012



The Housing Challenge:

- Housing costs are outpacing incomes
 - Since 1986 real costs have risen by 280%* while real incomes have increased by 7%
- Lowest rental vacancy rate in Canada
- Highest rents in Canada

*Median price of a condominium on the Eastside of Vancouver

We Need To Use Every Tool Available to Encourage Rental Housing Supply

The Problem of Empty Homes:

There is evidence of empty homes in Vancouver

- BC Hydro Consumption Study (2016)
- Urban Futures (2011 Census Data)
- BTAworks Study (2009)



The Problem of Empty Homes: A Global Problem

Paris Sets Its Sights on Owners of Second Homes

Property taxes on vacation homes in the French capital could rise to five times their current rate.

FEARGUS O'SULLIVAN | [@FeargusOSull](#) | Jun 15, 2016 | [4 Comments](#)

Jerusalem doubles 'ghost apartment' taxes as housing costs soar

From 2016, property tax on empty homes will be twice the city's current highest rate; mayor says this will aid young renters

BY TIMES OF ISRAEL STAFF | December 30, 2015, 4:37 pm |



Housing

Tens of thousands of London homes deemed 'long-term vacant'

Data obtained by the Guardian shows more than 22,000 left empty for longer than six months despite chronic housing shortage

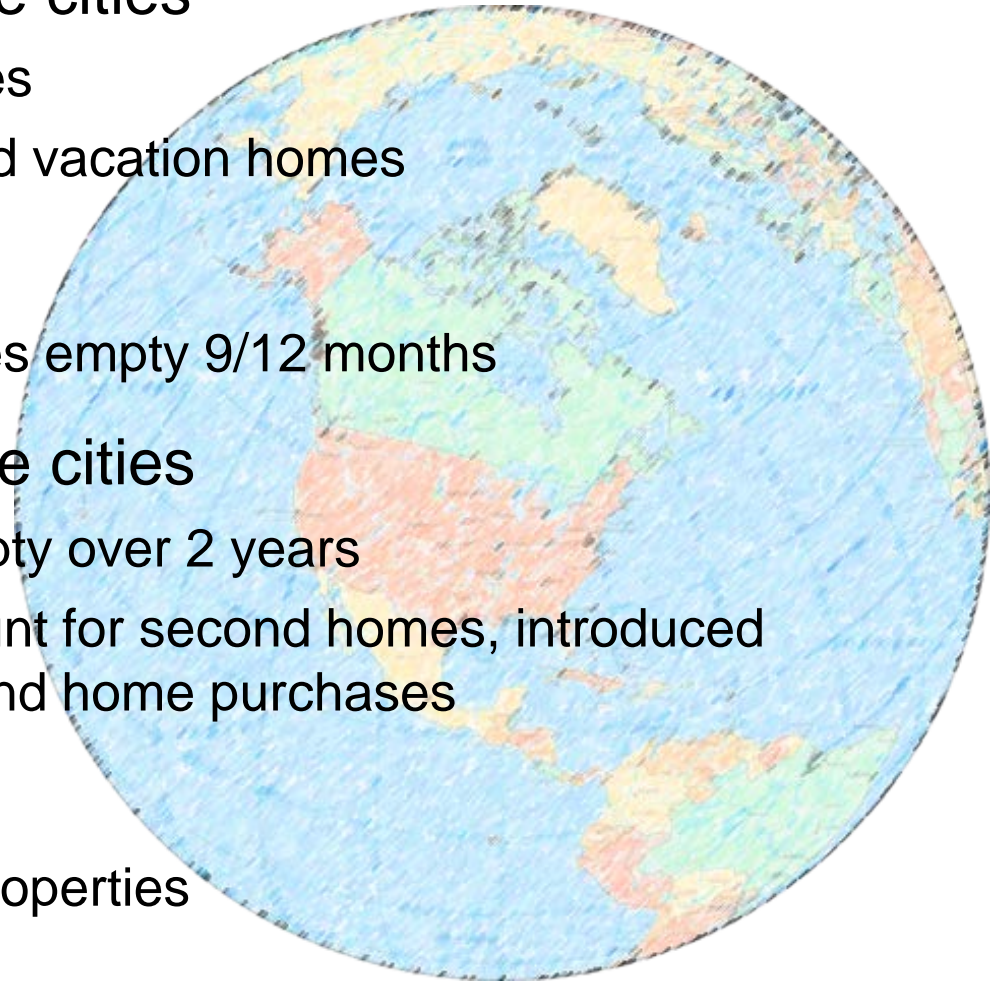
David Pegg

Sunday 21 February 2016
14.31 GMT



The Problem of Empty Homes: Other Cities Taking Action

- France – Paris and other large cities
 - Property tax on empty properties
 - Advocacy for tax on second and vacation homes
- Israel - Jerusalem
 - Higher property tax on all homes empty 9/12 months
- U.K – Camden and other large cities
 - Tax premium for properties empty over 2 years
 - Removed a previous tax discount for second homes, introduced transfer tax on luxury and second home purchases
- New York City
 - Proposed tax on pied-a-terre properties



The Problem of Empty Homes: Strong Public Support for Tax

2015 Angus Reid

- 82% supported imposing a tax on investor-owned empty homes

May 2016 Talk Vancouver

- 91% agreed that empty housing is a problem in Vancouver
- 88% agreed that the City should advocate for senior government action to reduce empty housing

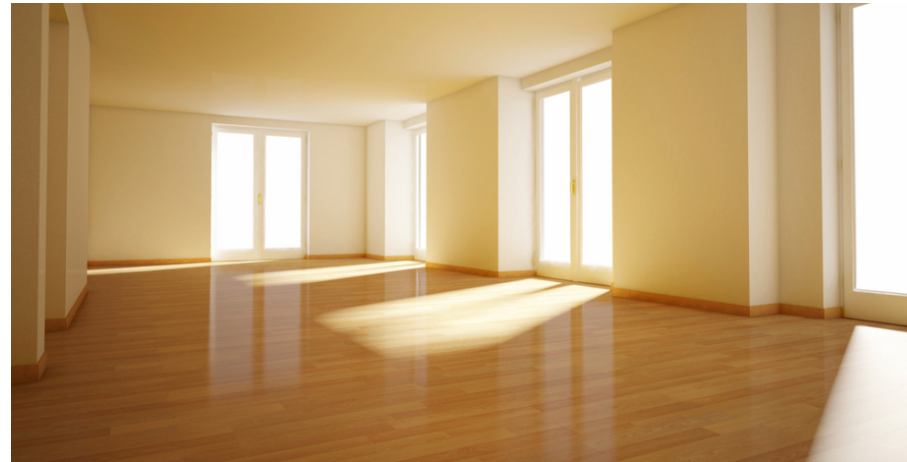
June 2016 Insights West

- 80% support tax penalties on people who purchase property without the intention to live in it or rent it out



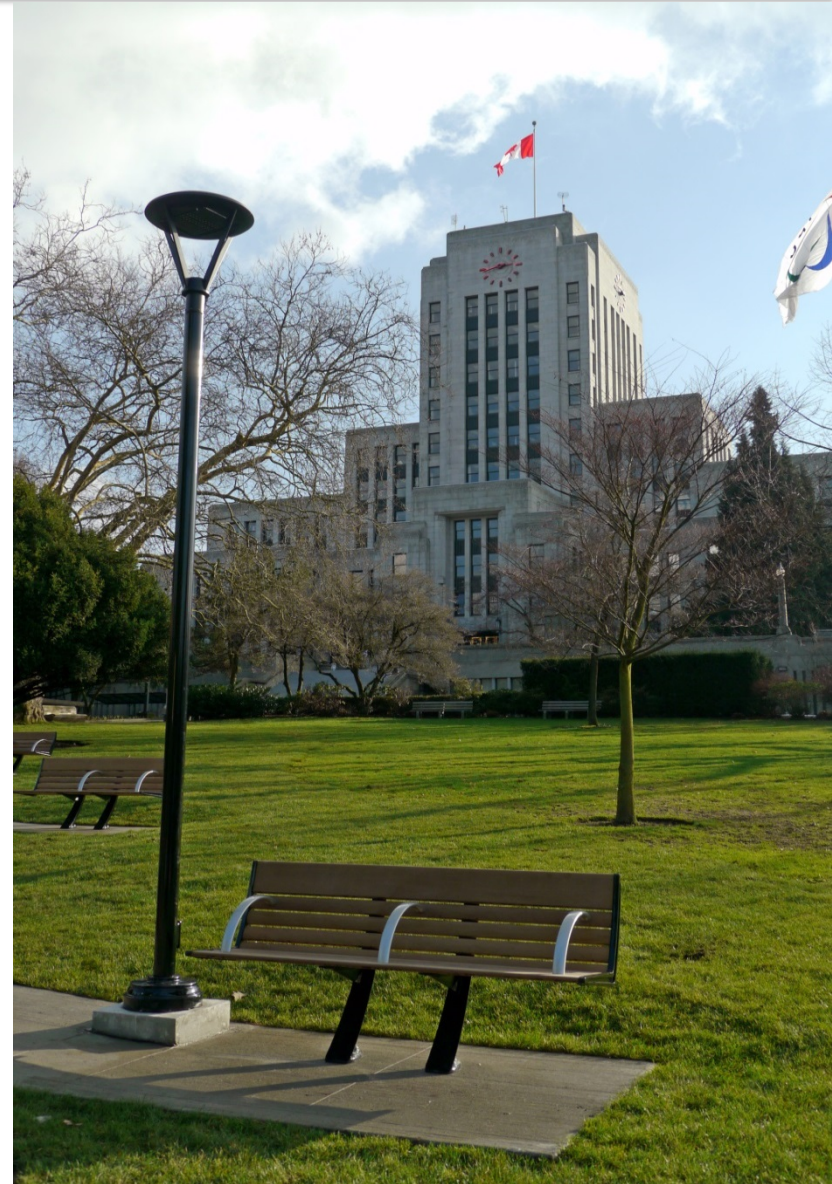
The Problem of Empty Homes

City Council directed staff in June 2016 to develop an Empty Homes Tax



The Objectives of an Empty Homes Tax

1. Encourage owners of empty homes to **rent out** their property;
2. Use Empty Homes Tax revenue for **affordable housing; initiatives;**
3. Support owners with **becoming new landlords;**
4. Ensure that the tax is **easy to communicate and administer.**



Project History and Timeline

- BC Hydro Study Presented to Council
- Subject Matter Expert Meeting #1
- Council Report on Options
 - Council directs staff to report back on a City administered tax on empty homes
- BC Government Enabling Legislation
- Subject Matter Expert Meeting #2
- **Council Report on Emerging Approach**
- Public Consultation on Emerging Approach
- Council Report on Recommended Approach

SPRING

SUMMER

FALL



Charter Changes Provide the Framework for a New Tax on Empty Homes

- Provided City with authority to, by by-law, implement and collect an annual tax on empty homes
- Establish penalties and interest for failure to pay tax
- Establish fines and penalties if owner fails to declare status, makes a false declaration, fails to submit evidence or provides evidence that is not satisfactory
- Maximum fine under Vancouver Charter is \$10,000
- Requires that the City:
 - Establish when a property is considered empty;
 - Specify the length of time that a property must be empty before tax applies.



Proposed Approach: Key Elements

1. The **majority of homes** in Vancouver **will not be subject** to the tax;
2. Homes that were the **principal residence** of the owner, a long term tenant, or a family member **will not be subject** to the proposed tax;
3. Empty homes will be identified as "empty" using **self-declaration**, to be verified by **audit**, and **complaint response** processes;
4. All **homeowners** whose property was their principal residence or that of a long term tenant or family member for the majority of the past year will be **required to declare** that or may be subject to the tax;
5. Homeowners who **fail to declare or falsely declare** may be **subject to fines or penalties**;
6. There will be **exemptions** in some instances; and
7. **Net revenue** from the proposed tax will be used for **affordable housing initiatives**.

How Does the Proposed Tax Work?

Proposed Approach: What is a Principal Residence?

a “**principal residence** is the usual place that you make your home...

It's where you **live and conduct your daily affairs**, like paying bills and receiving mail...

...and it's generally the **residence used in your government records** for things like your income tax, Medical Services Plan, driver's license and vehicle registration.”*

*BC Homeowner Grant Program Definition

Proposed Approach: Identifying Empty Properties

Empty homes will be identified through several means:

- Annual self-declaration;
- Selective and random audits;
and
- Complaint process.

Failure to declare or false declaration may result in penalties and/or imposition of the tax



Proposed Approach: Annual Self Declaration

Example of Annual Self Declaration Form

For at least 9 of the past 12 months, was the property:

- A The principal residence of the owner?
- B Rented to a long term tenant?
- C The principal residence of a friend or family member?
- D Neither A, B, or C, but the property is eligible for a defined exemption?
- E None of the above?
For example:
 - long term empty homes
 - second homes that are used occasionally by the owner
 - properties used only for part of the year

If "Yes"
Tax does NOT apply

If "Yes"
Tax may apply

Proposed Approach: What Will Audits Look Like?

- Charter provides City with authority to perform both random and selective audits
- If a declaration is selected for an audit...
 - Owners will be required to submit sufficient evidence to support their declaration that the home is a principal residence
- Evidence could include:
 - *BC Driver's License*
 - *BC Medical Services Card*
 - *Voter Registration*
 - *Proof of Rental Income*
 - *Rental Agreement*
 - *Proof of Rental Insurance*

Proposed Exemptions: For Consultation

- Exemptions will be the **main focus of public consultations** throughout the fall.
- Examples of potential exemptions **identified so far:**
 - property is in probate;
 - property is wholly unfit for occupancy because it is undergoing major renovations with permits;
 - the owner or tenant is in medical care;
 - property underwent change in ownership;
 - property is subject to legal strata rental restrictions and is unable to be rented; and
 - owner or tenant uses home for the majority of the year (e.g. 9 of 12 months) for work/study purposes but claims principal residence elsewhere.

Setting the Tax Rate: For Consultation

- Staff will consult the public on the amount of the tax
- The goal of the Tax is to increase occupancy
 - The Tax will need to be high enough to encourage owners to rent out their property
- Council report identifies a range between 0.5% - 2% of assessed value
 - Empty \$1M home would pay \$5,000 - \$20,000/ year in empty homes taxes in addition to \$3,100 in property taxes

Exploring Scenarios – When Would the Tax Apply?

Scenario 1: Jim and Sue own a condo in Vancouver and live there full time



No Tax: Jim and Sue declare property was their principal residence, and are not taxed

Scenario 2: Chris and Jane own a condo in Vancouver and rent it to Roy, who lives there full time



No Tax: Chris and Jane declare property was principal residence of a full time tenant, and are not taxed

Scenario 3: Sarah and Rick own a condo, and their daughter Andrea lives there full time



No Tax: Sarah and Rick declare property was principal residence of a family member, and are not taxed

Scenario 4:

- Gary and Pat own a condo in Vancouver that they use as a principal residence
- They vacation in Florida every year during the winter months



No Tax: Gary and Pat declare property was their principal residence, and are not taxed

Scenario 5: Aaron lives in Burnaby but owns a condo in Vancouver that he leaves empty



Tax Applies: Aaron declares property was neither his principal residence nor that of a full time tenant, and tax applies

Scenario 6: Dan lives in Calgary but owns a condo in Vancouver that he visits a few times a year.



Tax Applies: Dan declares property was neither his principal residence nor that of a full time tenant, and tax applies

Scenario 7:

- Jen's principal residence is in Victoria
- She owns a single-family home in Vancouver that is in the process of being demolished, with permits



Exempt: Jen declares property was neither her principal residence nor that of a full time tenant – however, she can declare an exemption

Scenario 8:

- Mark's principal residence is in Victoria but he works full-time in Vancouver
- He owns a condo in Vancouver that he lives in Monday-Thursday



Exempt: Mark declares property was neither his principal residence nor that of a full time tenant – however, he can declare an exemption

Possible Scenario: To be discussed with the public

- Ken's principal residence is in Kelowna
- He owns a condo in Vancouver that he lives in 6 months out of the year

Should this be exempt?

Measuring the Impact: What does Success Look Like?

1. Number of empty homes goes down
2. Number of condominiums in the rental pool goes up
3. Rental vacancy rate increases

Recognize that there are many variables that affect these indicators

When these indicators show improvements in the rental market, the Tax could be reduced or eliminated

Rental vacancy rate is currently 0.6% (lowest in Canada)

A rental vacancy rate of between 3-5% is considered healthy

Recommendations

1. THAT Council endorse in principle the approach described in this report for implementing a City-administered program to levy an annual tax on empty homes, the net proceeds of which will be used for affordable housing initiatives, and direct staff to undertake public consultation on the emerging approach.
2. THAT Council approve a budget of \$220,000 for public consultation to be conducted in the fall of 2016 as described in this report; the \$220K consultation cost will be managed within the approved 2016 Operating budget.

Next Steps

Outreach to owners and public consultation	Fall 2016
Refine policies and report back to Council	November 2016
Owners receive notification that Tax will be applicable starting January 1, 2017 (mail out with 2017 advance tax notice)	December 2016
2017 Tax reference period begins	January 1 2017
Owners receive reminder that Tax is in effect (mail out with 2017 Main tax notice)	June 1 2017
2017 Tax reference period ends	December 31 2017
Owners receive 2017 Tax self-declaration forms (mail out with 2018 advance tax notice)	December 2017

Budget for Public Consultation Fall 2016

Letters to Home Owners re: Public Consultation Opportunities	\$210,000
Open Houses and Workshops	\$7,500
Data Collation & Summary of Public Survey Results	\$2,500
TOTAL	\$220,000

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Clearing up some recent questions

Question	Answer
What if owners keep the lights on to avoid the Tax?	<p>Utility consumption will NOT be used to identify empty homes</p> <p>Homes will be identified using self-declaration, audit and complaint response</p> <p>Homes that are a <u>principal residence</u> will NOT be subject to the Tax</p>

Clearing up some recent questions

Question

Answer

What about homes that are used as short-term rentals?

Homes that are a principal residence will NOT be subject to the Tax

Homes that are used exclusively for short-term rentals, and are nobody's principal residence, **will be subject to the tax**

Clearing up some recent questions

Question	Answer
<p>Will second homes be exempt because they are used occasionally (i.e. not empty for a full 12 months)?</p>	<p>Homes that are a <u>principal residence</u> will NOT be subject to the Tax</p> <p>Emerging approach would include taxes on secondary properties left empty or underutilized</p> <p>Staff will consult the public about second homes and under what circumstances there could be exemptions</p>

Conclusion

- Vancouver is facing significant rental housing challenges
- Empty Homes are a potential source of rental housing supply
- Public consultation will help staff to shape the tax on empty homes
- Continue discussions with the Province to identify whether their data can support the enforcement of the tax
- Report back to Council in November 2016 with recommended approach