



Encouraging Homes for Renters: Recommended Approach on Empty Homes

Presentation to City Council

November 15, 2016



Presentation Outline

- Why Address Empty Homes?
- Project History and Timeline
- Recommended Approach

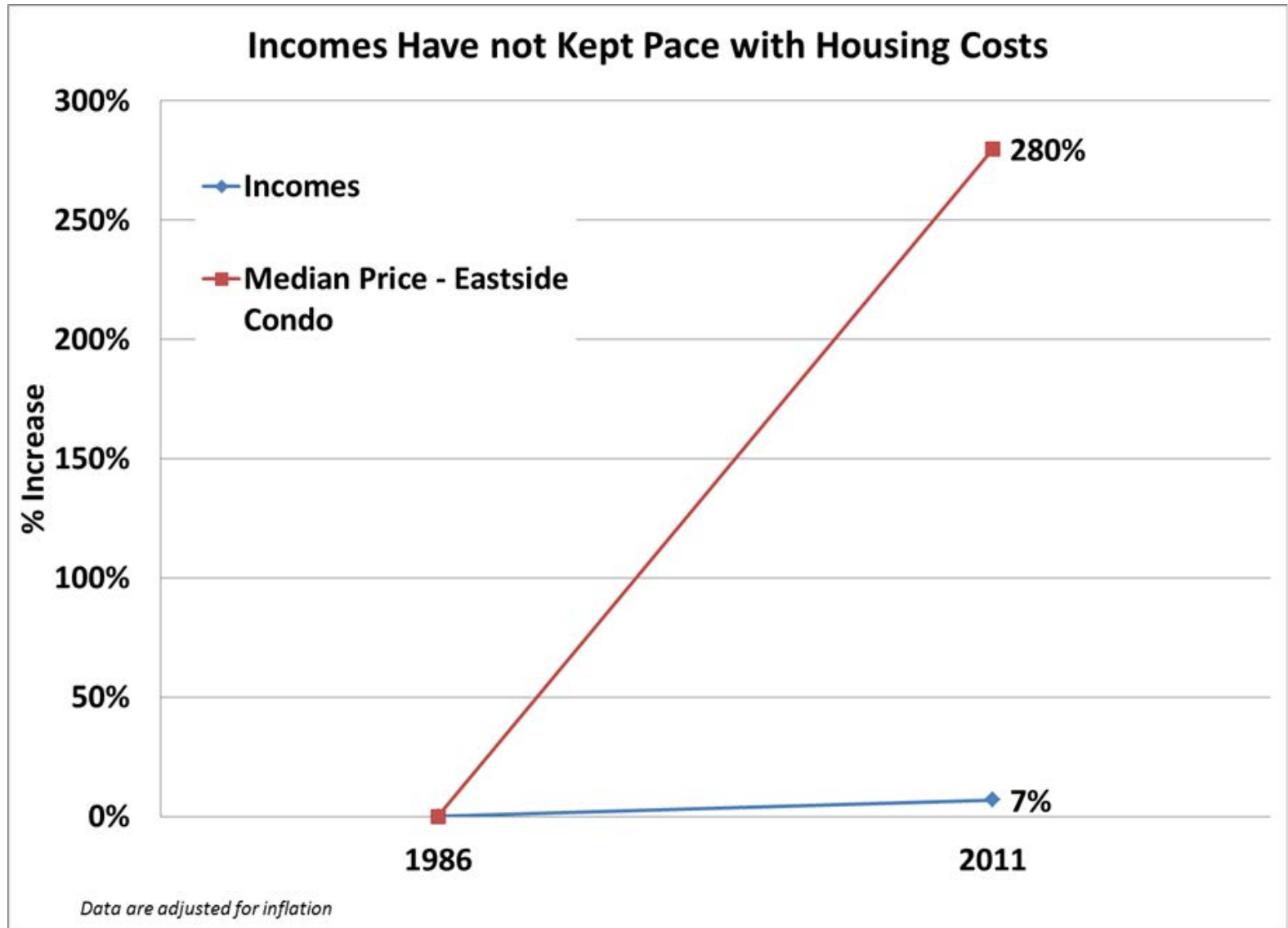


The City is Enabling New Rental Homes but Significant Affordability Challenges Remain

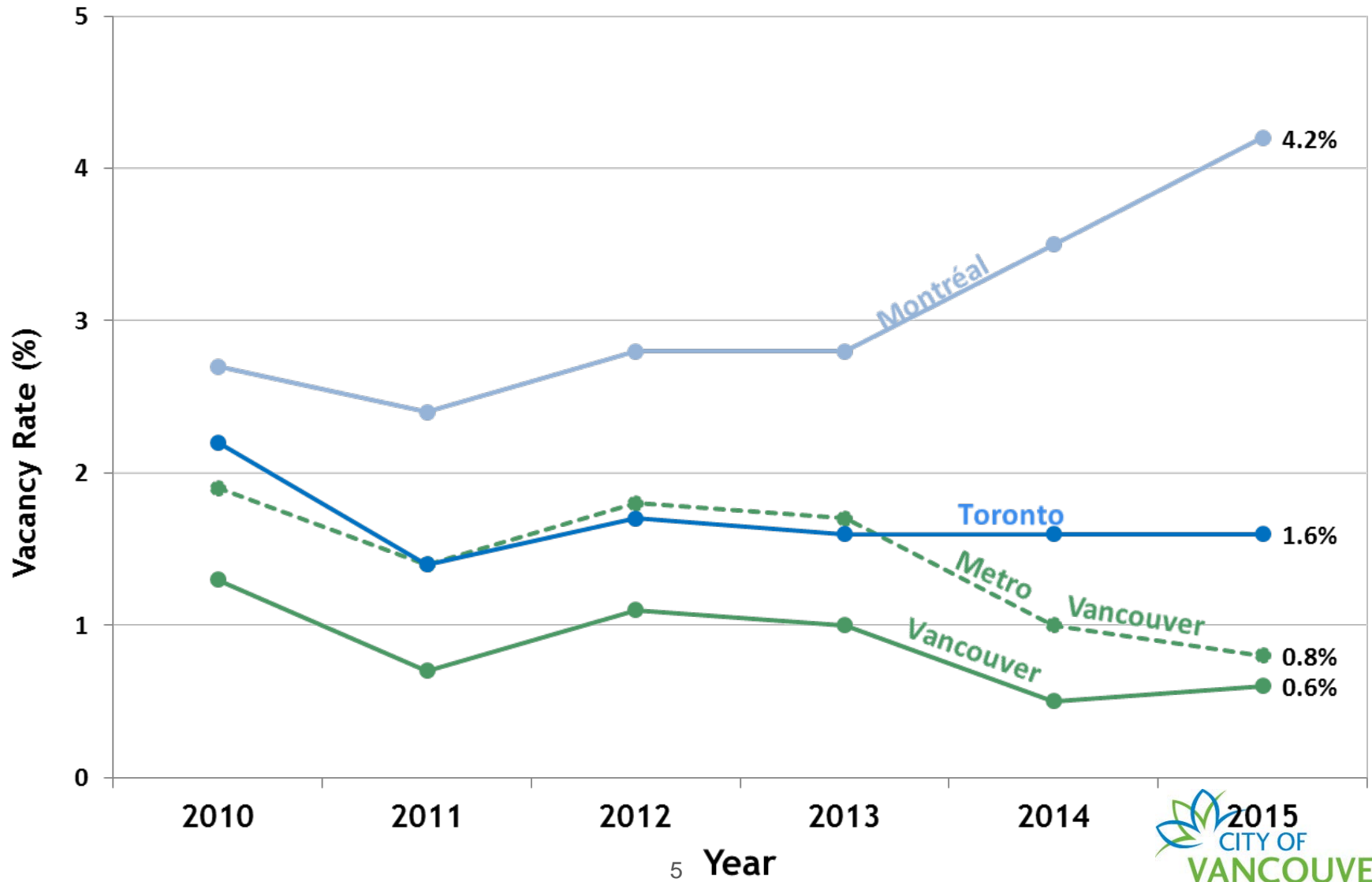
We have enabled over 12,000 affordable homes since 2012

	Shelters	SROs	Supportive Housing	Non-market Rental (Social Housing)	Purpose-built Rental	Suites & Laneway Houses
5 year target			2,275 units	2,500 units	2,500 units	3,000 units
Results after 5 Years			1,844 units	1,683 units	5,119 units	3,547 units
% of 5 Year Target			81%	67%	205%	118%

Significant Housing Challenges in City



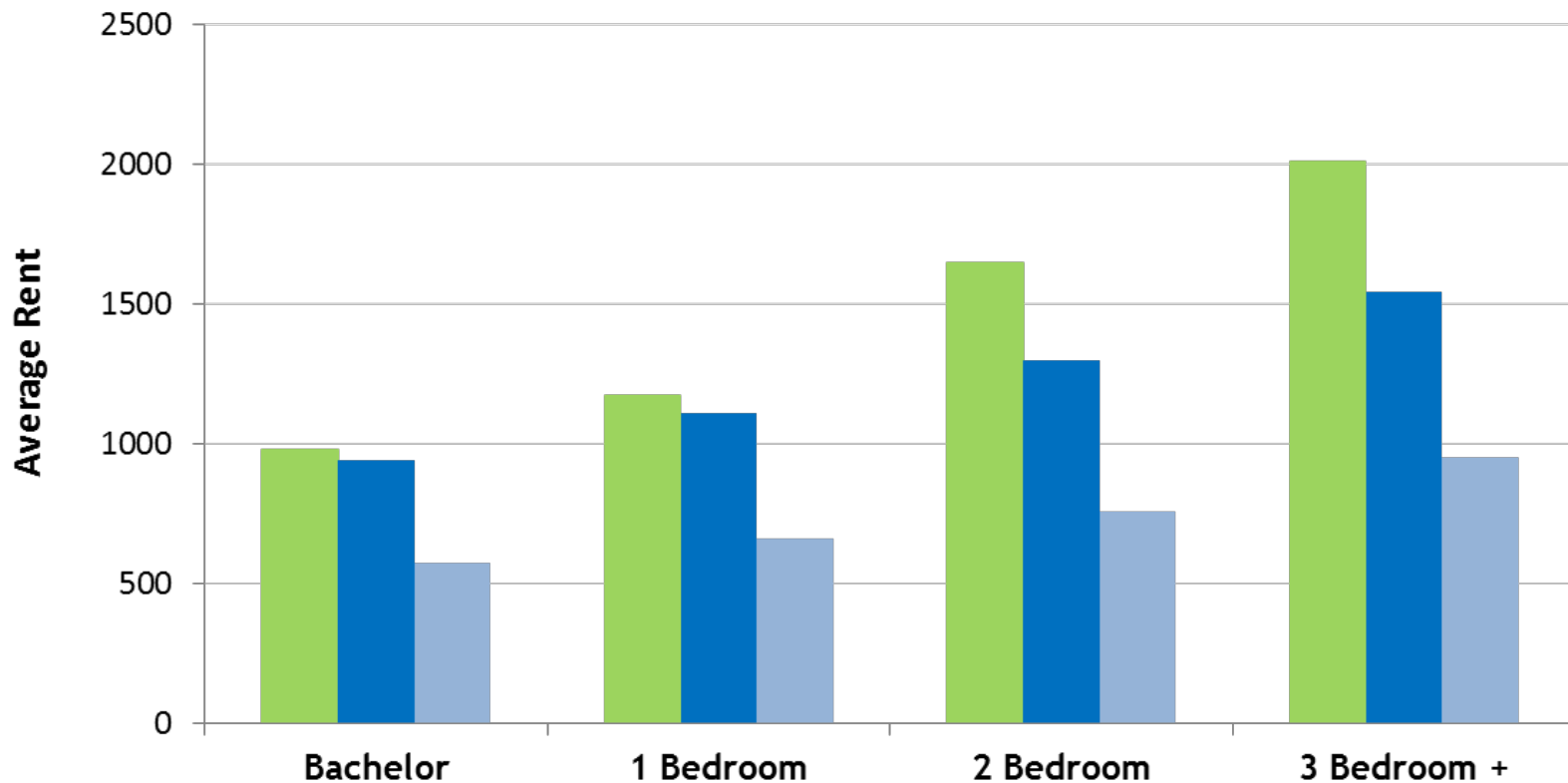
Lowest Rental Vacancy Rates in Canada



Highest Rents in Canada

Average Rent by Bedroom Type

Vancouver Toronto Montreal



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



There is evidence of empty homes in Vancouver



- City/ Ecotagious Study: BC Hydro Electricity Consumption
 - ~10,800 homes empty for 12 months or more (90% condos)
- 2011 Census Data
 - ~22,000 homes unoccupied or occupied by temporary resident on Census Day



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 |

NY REAL ESTATE RESIDENTIAL

New York City Mayor De Blasio Weighs Pied-à-Terre Tax

Proposed Tax Could Be as Much as 4%

By JOSH BARBANEL

Sept. 23, 2014 9:12 p.m. ET

Housing

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

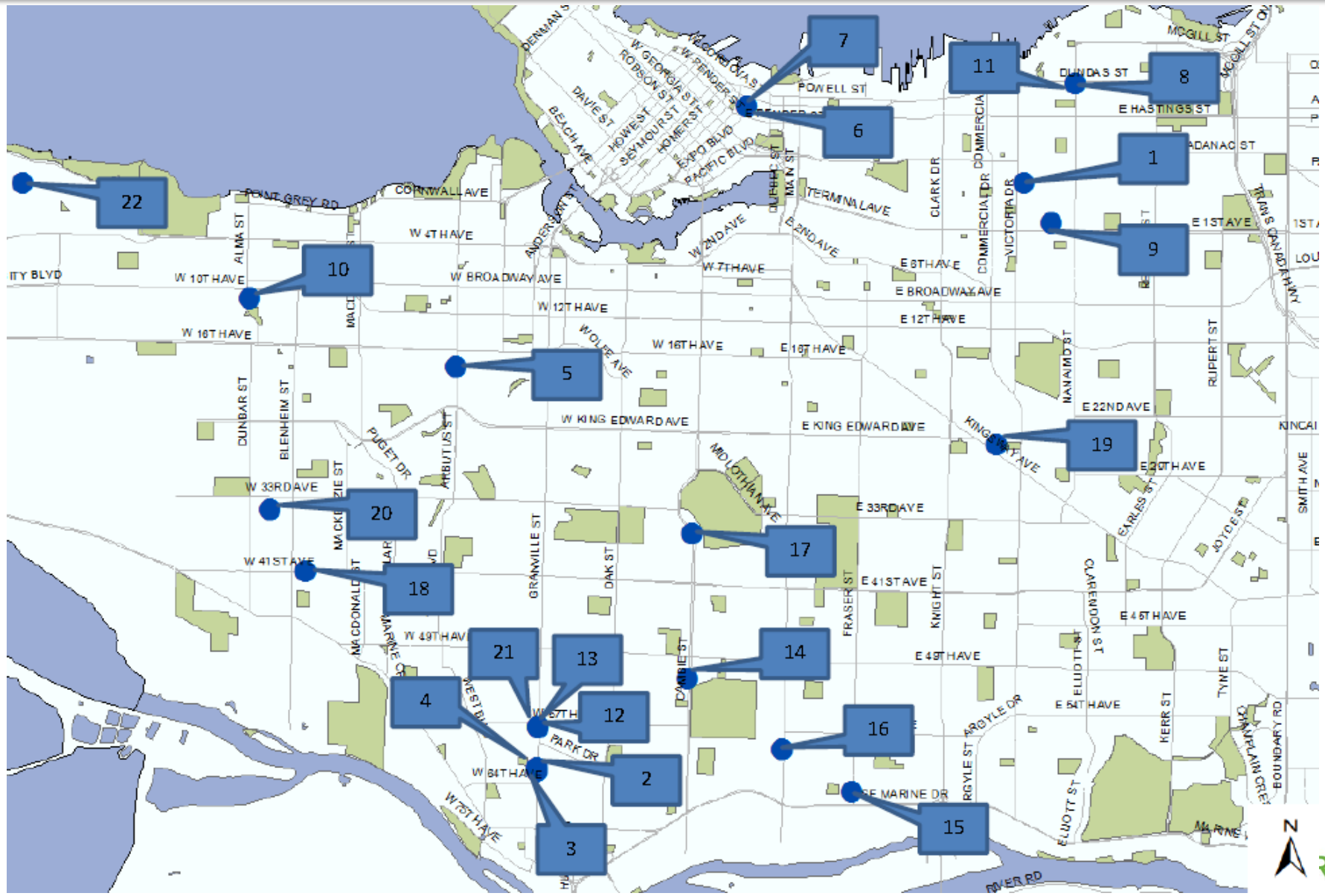
Data obtained by the Guardian shows more than 22,000 left empty for longer than six months despite chronic housing shortage

David Pegg

Sunday 21 February 2016
14.31 GMT



Fires at Abandoned Homes in 2016 (Jan. 1 to Nov. 1)



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
 - **Council directs staff to undertake public consultation on the emerging approach**
- Council Report on Recommended Approach

SPRING

SUMMER

FALL



Workshops with Local Experts

UBC School of Business

UBC Dept. of Geography

UBC Law School

SFU School of Public Policy

Urban Futures Institute

BC Real Estate Association

Canada Mortgage and Housing Corporation

Metro Vancouver

BC Housing

Urban Development Institute

BC Assessment

Vancouver Board of Trade

Ecotagious

Landlord BC

BC Condominium Homeowners Association



A Comprehensive Process

Local Experts

- Workshops in March, August and October 2016

National and International Experts

- Advice from colleagues in other cities
- Advice from Canada Revenue Agency
- Advice from Ernst & Young (program design and audit)
- Advice from Bull Housser (legal)

Property Owners and the General Public

- ~200,000 letters to property owners inviting them to participate
- New website and online survey
- Two public open houses - nearly 500 attendees
- Letters, emails and phone calls to staff & council

Public Support for a Tax

May 2016 Talk Vancouver

- Over 15,000 responses (60% renters, 34% owners)
- 91% agreed that the # of empty homes in Vancouver is a problem

June 2016 Insights West

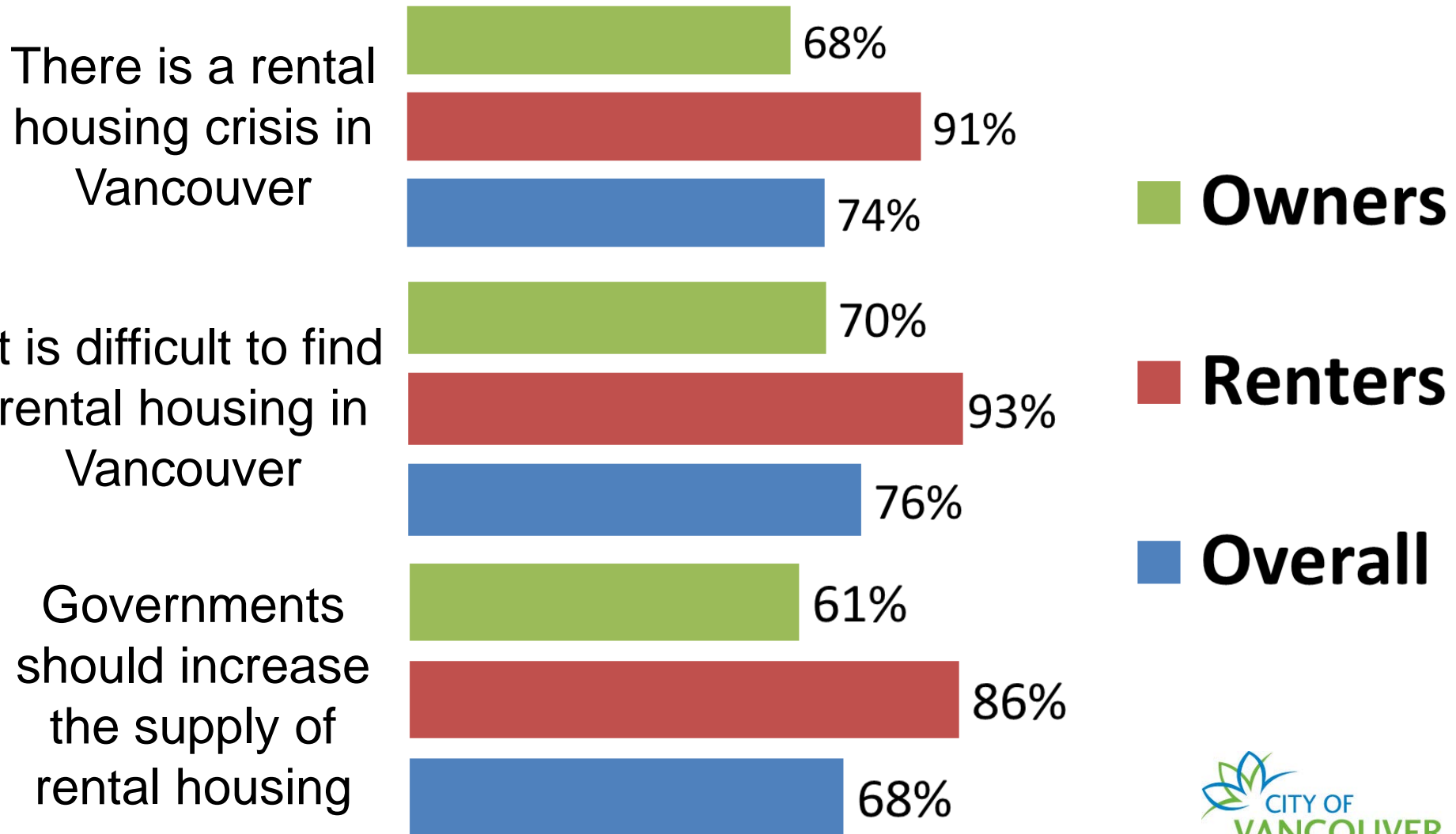
- 82% per cent of Metro Vancouver supports a tax on absentee owners

October 2016 Talk Vancouver

- Over 10,000 responses (27% renters, 69% owners)
- 63% agreed that the City is heading in the right direction with the proposed approach for taxing empty homes
 - Support from renters is considerably higher than owners (82% vs. 56%)

October 2016 Survey Results

% of Survey Respondents who Agree or Strongly Agree



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.**

Monitor impacts and adjust policy as required.



Proposed Approach: Key Elements

1. Annual self-declaration of property status
2. Principal residences will **not** be charged the tax
3. Properties that are rented long term,
or for at least 30 consecutive days and
a minimum of six months in aggregate in a year
will **not** be charged the tax
4. Properties that fall within valid exemption categories
will **not** be charged the tax
5. Properties that are declared as vacant,
or that are deemed vacant through failure to declare,
will be subject to the tax

Vancouver Charter Provisions

1. Tax must be administered at a '**parcel level**'
 - House with suite is exempt if at least one unit is occupied
 - Purpose built apartment buildings are exempt if at least one unit is occupied
2. Tax applies to **Class 1 Only** Residential Properties
 - Property class determined by BC Assessment
 - **Mixed class** properties are **not** subject to tax



Definition of Principal Residence

*“the **usual place** where an individual makes his or her **home**, being the place where an individual lives and conducts his or her **daily affairs**, such as paying bills and receiving mail, and is generally the residence used for **government records** for things like income tax, Medical Services Plan, driver’s license and vehicle registration”*

Allows owners to leave their homes for extended periods including:

- Snowbirds who leave their home in Vancouver for a period of time every year
- University staff who take a sabbatical leave
- Vancouver residents who take leave to care for an ill family member elsewhere.

Empty Homes Tax is Consistent with Regulation of Short Term Rentals

- Both programs prioritize the provision of long term rental housing
- EHT does not apply to principal residences
- STR will only be allowed in principal residences



Tax Rate

- Public consultation did not show a clear preference between a low, medium or high tax rate.
 - Owners preferred a lower tax rate
 - Renters preferred a higher rate
- Recommend tax rate on empty homes to be **1% of assessed value.** (i.e. \$10,000/ \$1M home)
- Rate is intended to motivate owners to convert units to occupancy as opposed to simply paying the tax
- Staff will **monitor and report** on the effectiveness of the 1% rate.

Tax Comparable to Commercial Rate

\$1 Million Assessed Value	Residential	Commercial
Property Tax	\$3,165	\$13,863
1% Vacancy Tax	\$10,000	-
Total Tax Payable	\$13,165	\$13,863

Monitoring Impacts

Staff will **monitor** and report on the **effectiveness** and **continuing need** for the program on an annual basis and will recommend changes in the rate (up or down) if it is warranted.

Key Indicators:

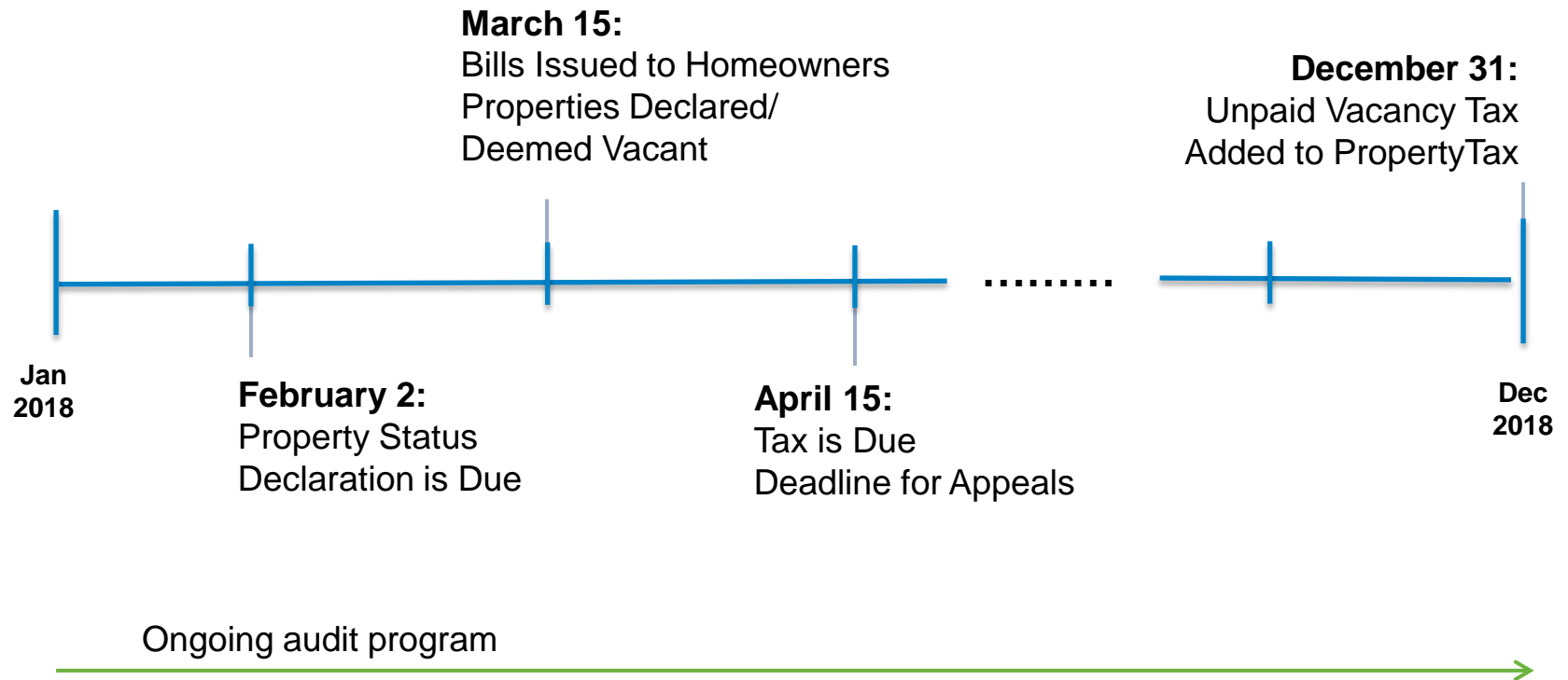
- # of Empty Homes (BC Hydro data methodology)
- # of condominiums in the rental pool (CMHC)
- Rental vacancy rates and rent increases each year (CMHC)

Vancouver has a Relatively Low Residential Tax Rate

Annual Tax Bill on a \$1M Residential Property

West Vancouver	\$2,969
Vancouver	\$3,165
Burnaby	\$3,791
Richmond	\$3,881
North Vancouver	\$4,037
Surrey	\$4,445

Proposed Timeline - 2018



Vacancy reference period – January to December

Exemptions

1. Vacancy is due to a court order prohibiting occupancy.
2. Property is undergoing major renovations, or is under construction or redevelopment (with permits)
3. Ownership changed during the vacancy reference period
4. Property is subject to existing strata rental restrictions (restrictions must be in place prior to empty homes tax by-law)
5. Use of property is limited to vehicle parking, or the shape, size or other inherent limitation preclude the ability to construct a residential building.
6. Owner or other occupier is undergoing medical or supportive care
7. Owner is deceased and grant of probate or administration pending
8. Owner used home for six months of the year for work purposes but claims principal residence elsewhere.

Potential exemptions for second homes

- Treatment of second homes was the **number one issue** raised in the public open houses and through citizen phone calls and emails.
- Options for full or partial exemptions for second homes were analyzed and assessed.
- **Staff are not recommending that the Tax program include exemptions for second homes based on usage**
 - Creates significant risks to the core objective of increasing rental units*.
 - Increased administrative burden to keep (by owner) and audit (by City) detailed records and greater opportunity to create and falsify proof of occupancy*.



Exploring Scenarios – When does the EHT Apply?

Scenario 1:

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



No Tax: Sam and Max declare the property was their principal residence, and are not taxed

Exploring Scenarios – When does the EHT Apply?

Scenario 2: Pat and Jamie own a condo in Vancouver and rent it to Roy



No Tax: Pat and Jamie declare that the property was rented to a long-term tenant, and are not taxed

Exploring Scenarios – When does the EHT Apply?

Scenario 3: Dan lives in Calgary but owns a condo in Vancouver that he visits a few times a year.



EHT Applies: Dan declares property was not a principal residence and was not rented out, and tax applies

Exploring Scenarios – When does the EHT Apply?

Scenario 4:

- Mariko'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: Mariko declares property was not a principal residence and was not rented out – however, she can declare an exemption

Audit Program

Audit Process

1. Property may be selected for an audit on either a criteria or random basis. Audit program will be risk based.
2. Owner must provide evidence to validate status of the property as declared.
3. Evidence is reviewed.
 - a. If sufficient: Declaration stands. No further action required.
 - b. If insufficient: Declaration fails, Vacancy Tax is applied.
4. Owner may appeal decision of audit.

Evidence

Audit program is based upon best practices of provincial and federal taxation authorities

Examples of Evidence of Principal Residence

- BC Driver's License
- BC Medical Services Card/ Medical Services Plan Invoice
- Valid ICBC Vehicle Insurance/ Registration
- Income Tax Notice of Assessment

Examples of Evidence of Rental Tenancy

- Lease agreement
- Rental insurance agreement
- Proof of Rental Income
(e.g. Owner's CRA return, financial statements)

Appeals Process

- **Vacancy Tax Review Office** will be established to review complaints filed by owners on the basis that the tax has been applied to their property in error
- Decisions of Review Office may be appealed to a independent **Review Panel**.



Fines and Penalties

Registered owners who fail to pay, fail to declare or falsely declare may be subject to fines or penalties

Failure to Pay:

Subject to **5% late payment penalty**. At Dec 31, outstanding balance will be **added to property tax account** as arrears and will accrue daily interest. Subject to tax sale.

Failure to Declare:

Failure to declare by 2nd business day in Feb will be **deemed vacant** and subject to tax and applicable late payment penalty, and the City may prosecute for Court-imposed fines and penalties.

False Declaration:

Tax will be applied and owner may also be **prosecuted** and could face fines on conviction of up to **\$10,000 per day** of the continuing offence.

Conclusion

1. There is a housing crisis in Vancouver
2. Empty homes are a source of housing supply for local people who make their lives in Vancouver
3. The goal of the EHT is to encourage occupancy
4. Staff are recommend a 1% tax on empty homes and will monitor the effectiveness of this rate