

**Refers to Item #2
Standing Committee on May 10, 2023**

YELLOW MEMORANDUM

May 8, 2023

TO: Mayor and Council

CC: Paul Mochrie, City Manager
Armin Amrolia, Deputy City Manager
Karen Levitt, Deputy City Manager
Maria Pontikis, Chief Communications Officer, CEC
Rosemary Hagiwara, Acting City Clerk
Teresa Jong, Administration Services Manager, City Manager's Office
Mellisa Morphy, Acting Chief of Staff, Mayor's Office
Trevor Ford, Director of Operations, Mayor's Office
Iain Dixon, Solicitor
Dan Garrison, Assistant Director, Housing Policy and Regulations

FROM: Patrice Impey
General Manager, Finance, Risk and Supply Chain Management

SUBJECT: Report back on Empty Homes Tax – Tax Rate (Recommendation A) and Late Declarations (Recommendation H)

RTS #: 15175

The Council report "REPORT BACK- Increasing the Empty Homes Tax ('EHT') to Five Percent and Improving Compliance" contained a set of recommendations to amend the Vacancy Tax bylaw with the aim to improve the fairness and intent of the tax. Among these recommendations, staff proposed: a) reduction in the Empty Homes Tax rate of 5% to 3% for 2023 vacancy reference year (Recommendation A) and, b) allowing property owners to file a late property status declaration after the deadline has passed (Recommendation H).

Recommendation A

This recommendation reads, 'THAT Council approve a reduction in the EHT rate of 5% to 3% for the 2023 vacancy reference year'. Council passed a motion in April 2022 to increase the EHT tax rate from 3% to 5% for 2023 and the bylaw was enacted. However, the 2023 vacancy year does not end until December 31, 2023, and the declaration period does not open until November 2023. As such, the new tax rate of 5% has not been levied in any instance for the 2023 vacancy reference year, which would be due in April 2024. To better help the public understand that the 5% tax has not been

operationally implemented, staff is proposing to re-word this recommendation as follows (amendment in red):

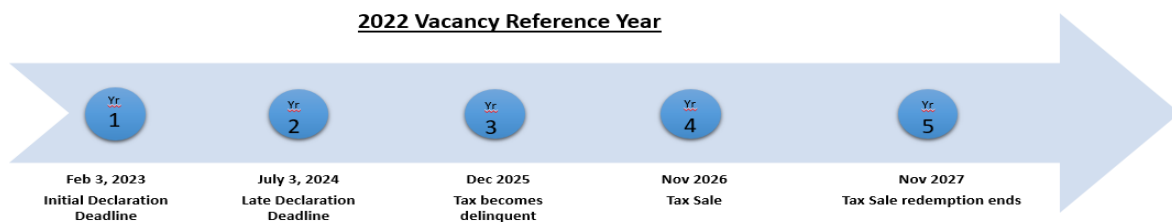
- A. THAT Council approve a reduction in the Empty Homes Tax rate of 5% to 3% for the 2023 vacancy reference year, **thereby maintaining the 2022 tax rate.**

This will allow staff to continue monitoring the progress on the increase of the 3% tax rate on the 2021 and 2022 vacancy reference years. This recommendation complements the Consideration A put forth by staff for a graduated tax rate scheme targeting longer-term (repeat) vacant properties with a more targeted tax rate approach.

Additionally, in the 'Council Authority/Previous Decisions' section of the Council report, where the paragraph states that tax was subsequently increased to "3% for 2022 vacancy reference year", it should read "increased to 3% for **both 2021** and 2022 vacancy reference years".

Recommendation H

This recommendation had assumed an inherent five-year time limitation to complement the tax sale cycle. If EHT tax levies are not paid by the end of the third year, the property would be put up for tax sale in the fourth year, and there would be a one-year redemption period following the sale. This is illustrated below:



However, there may be rare situations where property owners promptly remit the vacancy taxes but fail to declare their property status and wish to declare much later (i.e., not subject to tax sale). To ensure that such cases are covered and also for greater certainty on revenue recognition of the vacancy tax and the allocation of funds to support housing initiatives, the recommendation should explicitly include a five-year time limitation.

Therefore, staff is proposing an amendment (in red) to Recommendation H as follows:

- H. THAT Council approve an amendment to the By-law to allow owners to file a late property status declaration after the late declaration deadline (2nd business day of July in the year following the year of the initial declaration deadline) **up to five years from the tax reference year**, and the owner must provide evidence to support the declaration status in order for the vacancy tax levy to be reversed from their vacancy or property tax account.

Should you have any questions please feel free to contact me.

Sincerely,

Patrice Impey
General Manager, Finance, Risk and Supply Chain Management

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