

# Empty Homes Tax Annual Report

January 1, 2019 to December 31, 2019 Tax Year

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Activity to November 1, 2020



# CONTENTS

Introduction	1
Background	1
The Purpose of the Empty Homes Tax	1
Vancouver Declarations: Vacancy and Geographic Data	2
Monies Raised	4
Conclusion	7
Appendix: Key EHT Program Indicators	8

## 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. This is one of many actions in the City's 10-year Housing Vancouver Strategy. The EHT, the first of its kind in North America, is intended to help relieve pressure on Vancouver's rental housing market, which at 1% rental vacancy has among the lowest rental vacancy rates and the highest rental costs of any Canadian city (2019 CMHC Rental Market Report). 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 renters earning low and moderate income can afford to live and work in the city. Net revenues received from the tax must be reinvested in affordable housing initiatives across the city.

## 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 declared, determined or deemed to be empty are subject to a tax of 1% of the property's assessed taxable value. Starting with the 2020 vacancy reference period, under City Council's direction, the tax will increase to 1.25% of the property's assessed taxable value.

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 for the 2019 reference period by February 4, 2020, confirming the status of their property as occupied, exempt or vacant. As all revenue and compliance activity related to the reference period occurs in the following year, this report includes revenue from compliance activities up to November 1, 2020.

## PURPOSE OF THE EMPTY HOMES TAX

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 its Housing Vancouver Annual Progress Report and Data Book. Recent reports can be accessed at: [vancouver.ca/housing-strategy](http://vancouver.ca/housing-strategy).

### Who is subject to EHT?

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 eight 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.

### Is the Empty Homes Tax working?

Isolating the effect of a single policy like the EHT in a housing market as dynamic as that of the city of Vancouver is challenging. However, City staff have noted positive trends. We monitor the following key performance indicator trends:

- Number of properties required to declare
- Change in vacant and exempt properties
- Breakdown of exemptions by type
- Change in number of tenanted properties
- Occupancy status of previously vacant properties
- Assessed value of properties subject to EHT

Data to date on these indicators and a discussion on trends since the EHT was launched in 2017 is available in the data appendix to this report. There is also external data pointing to the impact of EHT on Vancouver's rental housing supply. The 2019 Rental Market Report from CMHC observed a shift toward long-term rental in Vancouver's condominium stock, with an increase of 5,920 condominium units in the long-term rental stock between their surveys in 2018 and 2019<sup>1</sup>. CMHC notes that this shift coincides with the implementation of policies like EHT in the city of Vancouver.

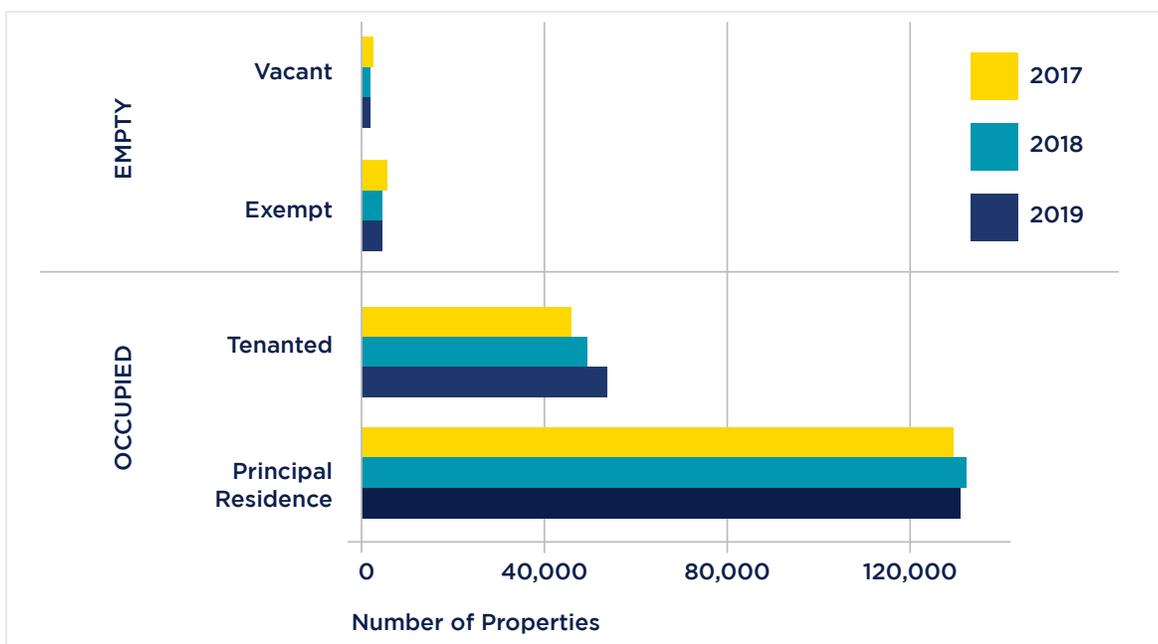
<sup>1</sup> Differences in data collection methodology for rented condominiums in the CMHC Rental Market Report may not always align with EHT property status data.



## VANCOUVER DECLARATIONS: VACANCY AND GEOGRAPHIC DATA

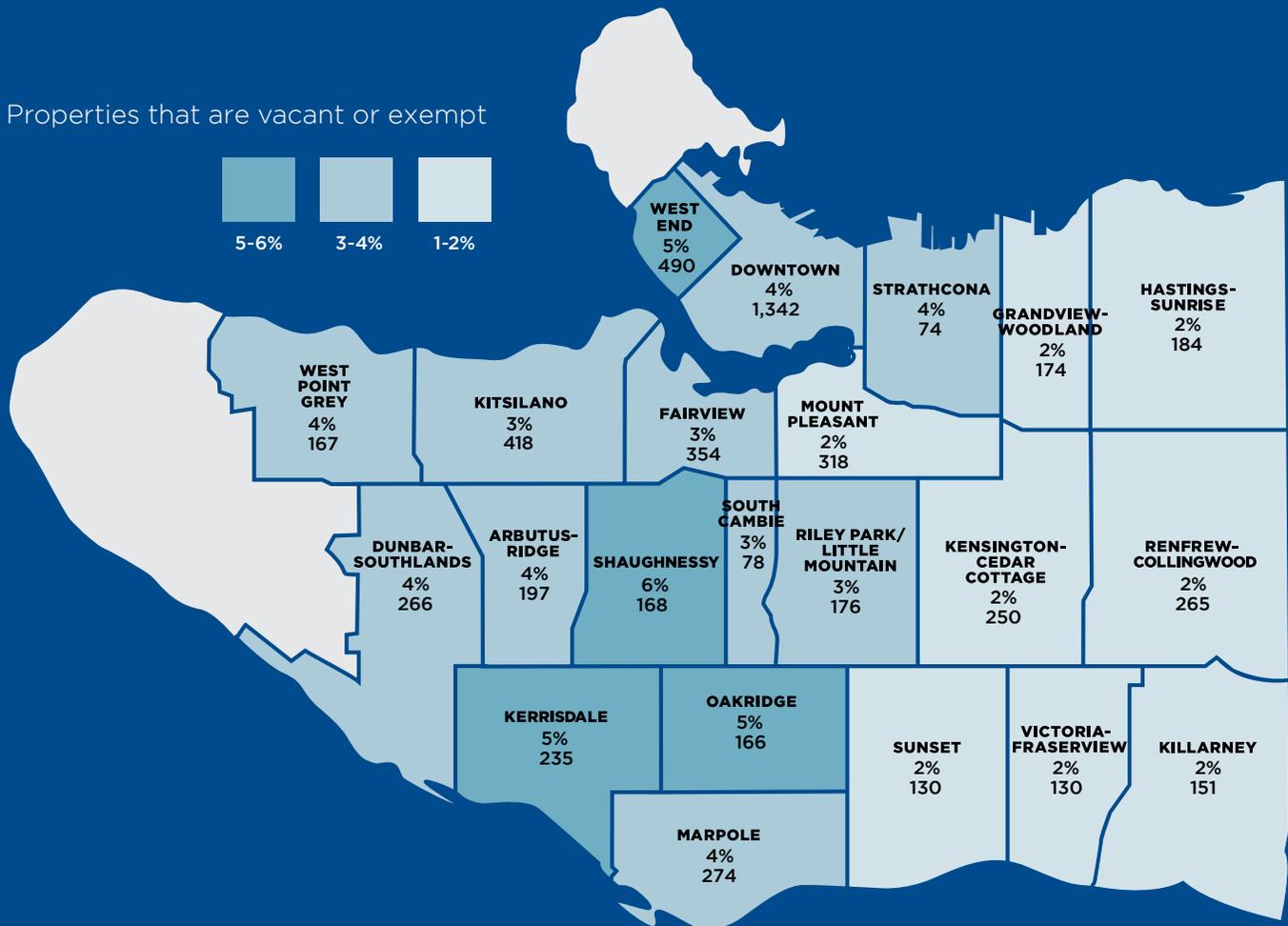
Property Status: 2017 to 2019 Tax Reference Years

	2017	2018	2019
<b>EMPTY</b>			
Exempt	5,383	4,256	4,132
Vacant	2,538	1,989	1,893
<b>OCCUPIED</b>			
Principal Residence	131,347	132,815	132,042
Tenanted	46,770	50,102	54,050
<b>Total</b>	<b>186,038</b>	<b>189,162</b>	<b>192,117</b>



# 2019 EHT VACANT & EXEMPT PROPERTIES

(6,025 TOTAL – SHOWN AS PERCENTAGE OF TOTAL/NUMBER OF PROPERTIES)



Similar to the prior year, the majority of exempt and vacant properties are condominiums, which account for 57% 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. Shaughnessy recorded the highest percentage of unoccupied properties, relative to the number of residential properties in the neighbourhood that were required to declare.

# MONIES RAISED

## Revenue

	2017 \$ Millions	2018 \$ Millions	2019 \$ Millions
Revenue (Tax Levy)	\$38.0	\$39.4	\$36.0
Revenue (Penalties and Fines)	\$1.1	\$1.8	\$1.9
<b>Collected</b>	<b>\$33.6</b>	<b>\$23.3</b>	<b>\$27.9</b>

Revenue decreased in 2019 compared to 2018 as the number of vacant properties went down, and also due to tax reversals resulting from City Council’s approval to implement a one-time extension of the declaration deadlines for the 2017 and 2018 vacancy reference years. Annual revenue for each year is estimated at November 1 even though late declaration and audit activities continue for a longer time period. Additional revenue after November 1, 2020 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 7% starting January 1 of the following year.



## 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 by-law.

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. Audits completed from the period November 2, 2019 to November 1, 2020 are outlined below, along with a comparison to the prior year ending November 1.

	Period to November 1		
	2018	2019	2020
<b>Total Audits Completed</b>	<b>6,231</b>	<b>8,457</b>	<b>9,310</b>
<b>Non-compliant Audits</b>	<b>331</b>	<b>892</b>	<b>722</b>
<b>Non-compliance Rate</b>	<b>5.3%</b>	<b>10.5%</b>	<b>7.8%</b>

Property owners who were found to be non-compliant were invoiced for the EHT. Revenue generated from audit activities during the period from November 2, 2019 to November 1, 2020 was \$18.2 million. Owners found non-compliant in their audits have the opportunity 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 additional audits relating to the 2019 reference year may be initiated in the future. 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 invoice 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, 2020, are as follows:

	Period to November 1		
	2018 *	2019	2020*
<b>Accepted</b>	<b>1,207</b>	<b>346</b>	<b>403</b>
<b>Rejected</b>	<b>252</b>	<b>237</b>	<b>156</b>
<b>Total</b>	<b>1,459</b>	<b>583</b>	<b>559</b>

\* 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.



## Late Declarations

In 2017, the first year of EHT, property owners who missed the declaration deadline were required to submit a Notice of Complaint and provide evidence to support that their property was occupied or exempt in order to have the tax rescinded. In 2018, the City created a late declaration process that allowed property owners to submit a late declaration online without having to file a Notice of Complaint. The deadline to make a late declaration for the 2017 and 2018 vacancy reference periods was December 31, 2018 and December 31, 2019, respectively. In May 2020, Council approved a one-time extension for late declarations not submitted by the original 2018 and 2019 deadlines to December 31, 2020. As of November 1, 2020, 229 late declarations for 2017 and 2018 have been received via the Notice of Complaint process and of the 186 completed, 95% were determined to be exempt or occupied based on evidence provided, resulting in the tax being rescinded.

## Review panel

Total reviews completed by the external vacancy tax review panel from November 2, 2019 to November 1, 2020, are as follows:

	Period to November 1		
	2018	2019	2020
<b>Accepted</b>	<b>8</b>	<b>35</b>	<b>14</b>
<b>Rejected</b>	<b>39</b>	<b>95</b>	<b>44</b>
<b>Total</b>	<b>47</b>	<b>130</b>	<b>58</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.

## USE OF FUNDS

Since the inception of the Empty Homes Tax, \$61.3 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.

In addition, the revenue collected to date is sufficient to cover the one-time implementation costs of \$7.5 million and estimated annual operating costs of \$2.5 million.

Money collected from the EHT is first allocated to cover annual operating costs with the remainder being available for initiatives respecting affordable housing.

The information and table below summarize the funding allocation for additional EHT amounts collected in the current reporting period (Nov 2, 2019 to Nov 1, 2020).

### Community Housing Incentive Program (CHIP)

The \$25 million 2019-2022 Community Housing Incentive Program 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 June 2020, City Council approved four CHIP capital grants totaling \$8.7 million towards the construction of 269 social housing units located across the city. In November 2020, Council approved a further \$3.2 million towards the construction of an additional 137 social housing units.

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 \$2 million will be added to the 2019-2022 Capital Plan to support additional CHIP 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. It is recommended that \$8 million be added to the housing capital budget to enable more housing on City land to support the delivery of the Housing Vancouver Strategy priorities and targets.

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

Priority	Project Description	Funding Allocation \$ millions
Acquire or provide land and resources for affordable non-profit and co-op housing	Multi-year housing capital grants, as part of the Community Housing Incentive Program (CHIP) to deepen affordability of social housing and meet affordability targets in the Housing Vancouver Strategy	2.0
	Land acquisition / development opportunities	8.0
	Funding for staff working on affordable housing projects	3.7
Emerging initiatives		1.0
<b>TOTAL:</b>		<b>\$14.7</b>

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



## CONCLUSION

Since the Empty Homes Tax launched, we've continued to use our key performance indicators to measure the program's effectiveness in tackling our city's housing crisis. In the 2019 reference year there has been encouraging progress made on these indicators, including another year-over-year increase in tenanted properties. Staff continue to work on initiatives that aim to improve living conditions and increase the supply of affordable housing, as part of the broader set of actions set out in the City's 10-year Housing Vancouver Strategy.

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

## DATA APPENDIX

As part of the EHT Annual Report, staff report on several indicators related to performance of the tax on 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.

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 1.6% (2,955 properties) between 2018 and 2019; this is driven by new properties being added to the BC Assessment tax roll.</li> </ul>
<b>2. Change in vacant and exempt properties</b>	<b>Reduction in vacant and exempt properties from 2018 to 2019</b> <ul style="list-style-type: none"> <li>In 2019, 6,025 properties were vacant or exempt (3.1% of all properties); this is 220 fewer units than in 2018 (3.5% reduction) and 1,896 fewer units than 2017 (23.9% reduction)</li> <li>In 2019, 1,893 properties (approximately 1.0 % of all properties) were vacant; this is 96 fewer units than in 2018 (4.8% reduction) and 645 fewer units than in 2017 (25.4% 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 (40%) of exempt properties in 2019 claimed the property transfer exemption; 34% claimed the renovation exemption, and 14% claimed the strata rental restriction exemption</li> <li>Most properties (68%) claiming transfer in 2019 were condos; most properties (80%) claiming renovation were single family homes</li> </ul>
<b>4. Change in tenanted properties</b>	<b>Increase in tenanted properties from 2018 to 2019</b> <ul style="list-style-type: none"> <li>There was a net increase of 3,948 tenanted properties between 2018 and 2019; this includes a net increase of 3,394 tenanted condominiums and 1,085 single family homes, and a decrease of 531 other property types.</li> <li>This data doesn't 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>We also see significant flows 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>2018 vacant properties converted to occupied in 2019</b> <ul style="list-style-type: none"> <li>Of the 1,989 vacant properties in 2018, 41% were occupied in 2019 (24% tenanted, 13% principal residences, 4% principal residences of a permitted occupant and 2% no longer required a declaration)</li> </ul>
<b>6. Average assessed value of vacant property vs. all properties</b>	<b>Vacant property has a higher assessed value than properties overall</b> <ul style="list-style-type: none"> <li>For 2019, the average assessed value of a vacant condo (\$1.5M) is 59% higher than the average condo (\$0.9M)</li> <li>The average assessed value of a vacant single family home (\$3.5M) is 52% higher than the average single family home (\$2.3M)</li> <li>Overall the average assessed value of vacant properties was \$1.9M compared to the average value of \$1.6M for all properties</li> </ul>

## DETAILED DATA

### Indicator #1: Number of properties required to declare<sup>1</sup>

Indicator	2017	2018	2019	2018 to 2019 Change	
Condo	95,734	98,566	101,525	2,959	3.0%
Single Family Including Duplex	80,687	80,638	80,683	45	0.1%
Other	9,617	9,958	9,909	-49	-0.5%
<b>TOTAL</b>	<b>186,038</b>	<b>189,162</b>	<b>192,117</b>	<b>2,955</b>	<b>1.6%</b>

### Indicator #2: Change in vacant and exempt properties

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

Condo	2017	2018	2019	2018 to 2019 Change	
Vacant	1,981	1,535	1,447	-88	-5.7%
Exempt	2,750	2,082	2,006	-76	-3.7%
<b>TOTAL</b>	<b>4,731</b>	<b>3,617</b>	<b>3,453</b>	<b>-164</b>	<b>-4.5%</b>

Single Family	2017	2018	2019	2018 to 2019 Change	
Vacant	458	370	358	-12	-3.2%
Exempt	2,271	1,843	1,773	-70	-3.8%
<b>TOTAL</b>	<b>2,729</b>	<b>2,213</b>	<b>2,131</b>	<b>-82</b>	<b>-3.7%</b>

Other	2017	2018	2019	2018 to 2019 Change	
Vacant	99	84	88	4	4.8%
Exempt	362	331	353	22	6.6%
<b>TOTAL</b>	<b>461</b>	<b>415</b>	<b>441</b>	<b>26</b>	<b>6.3%</b>

<sup>1</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**

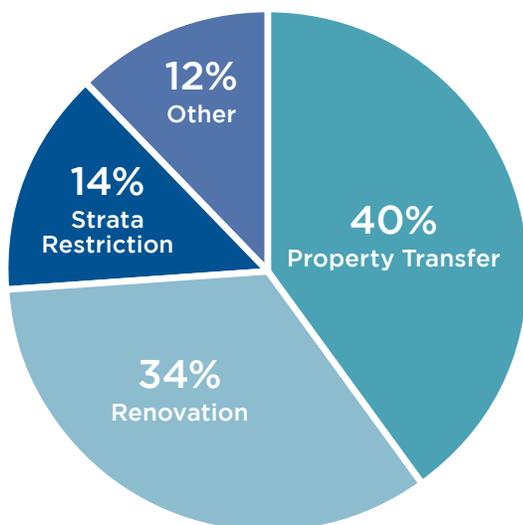
**Breakdown of properties by property type that qualified for an exemption:**

Condo	2017	2018	2019	2018 to 2019 Change	
Property Transfer	1,629	1,173	1,131	-42	-3.6%
Redevelopment/ Renovation	101	96	100	4	4.2%
Strata Restriction	536	606	574	-32	-5.3%
Other	207	207	201	-6	-2.9%
<b>TOTAL</b>	<b>2,473</b>	<b>2,082</b>	<b>2,006</b>	<b>-76</b>	<b>-3.7%</b>

Single Family	2017	2018	2019	2018 to 2019 Change	
Property Transfer	805	493	508	15	3.0%
Redevelopment/ Renovation	1,195	1,193	1,141	-52	-4.4%
Strata Restriction	1	0	0	0	0.0%
Other	120	157	124	-33	-21.0%
<b>TOTAL</b>	<b>2,121</b>	<b>1,843</b>	<b>1,773</b>	<b>-70</b>	<b>-3.8%</b>

Other	2017	2018	2019	2018 to 2019 Change	
Property Transfer	28	17	22	5	29.4%
Redevelopment/ Renovation	156	157	179	22	14.0%
Strata Restriction	0	1	1	0	0.0%
Other	106	156	151	-5	-3.2%
<b>TOTAL</b>	<b>290</b>	<b>331</b>	<b>353</b>	<b>22</b>	<b>6.6%</b>

**Breakdown of properties that qualified for an exemption in 2019:**



**Indicator #4: Change in tenanted properties**

	2017	2018	2019	2018 to 2019 Change	
Condo	28,809	31,086	34,480	3,394	10.9%
Single Family	10,549	11,309	12,394	1,085	9.6%
Other	7,412	7,707	7,176	-531	-6.9%
<b>TOTAL</b>	<b>46,770</b>	<b>50,102</b>	<b>54,050</b>	<b>3,948</b>	<b>7.9%</b>

**Indicator #5: Occupancy status of previously vacant properties**

**Current status of 2018 vacant properties:**

Status	2019
Principal Residence	341
Tenanted	470
<b>Occupied Total</b>	<b>811</b>
Exempt	206
Vacant	941
Declaration not required	31
<b>Total</b>	<b>1,989</b>

**Current status of 2017 vacant properties:**

Status	2019
Principal Residence	686
Tenanted	862
<b>Occupied Total</b>	<b>1,548</b>
Exempt	219
Vacant	721
Declaration not required	50
<b>Total</b>	<b>2,538</b>

**Indicator #6: Average assessed value of vacant property vs. all properties**

	Vacant 2019	All Properties 2019	% Higher Assessment
Condo	\$1.5M	\$0.9M	59%
Single Family	\$3.5M	\$2.3M	52%
<b>Total</b>	<b>\$1.9M</b>	<b>\$1.6M</b>	<b>17%</b>



For More Information:

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