

# Vancouver Hopes ‘Empty Homes Tax’ Can Help Stem Affordability Crisis

*Next City, by Emily Nonko, March 29, 2018*

When Gregor Robertson was elected to his third term as mayor of Vancouver, in 2014, the city was already in the grips of an affordable housing crisis. “Vancouver has been in this crisis for over a decade,” the Mayor says.

Today, the city boasts some of the highest home prices and lowest rental vacancy rates anywhere in Canada. “We had ramped up our rental housing supply, [and] focused on supportive housing for our most vulnerable population,” Robertson says, “But the pressure in the real estate market continued to escalate dramatically.”

Like a few other cities grappling with the loss of affordable housing, an influx of foreign capital into Vancouver’s real estate had become a major talking point for politicians, housing advocates, and residents getting squeezed by the market. But regulating foreign capital isn’t quite the purview of local governments.

“The influx of foreign capital wasn’t well regulated by our federal government,” Robertson says. The result, he says, was “untethered speculation, jacked-up prices and flipping in the local real estate market.”

In an attempt to address the matter locally, Robertson’s administration passed a tax on empty homes — controversial to some — that the city believes will limit the impact of housing speculation and also provide funding to help build more affordable housing. Properties deemed vacant are subject to a tax of one percent of the property’s assessed taxable value. The first empty homes tax bills are due in April.

Most properties will be exempt from the empty homes tax, according to the city. To be exempt from the tax, property owners must annually declare and provide documentation to show the property is used as a principal residence by the owner, a family member or friend, or other permitted occupier for at least six months of the current year; or rented for at least six months of the current year, in periods of 30 or more consecutive days; or meet other criteria for one of the exemptions

Passing new taxes can be a fraught experience for politicians. In Vancouver, the city has extremely low property taxes and higher income and sales taxes, making the city appealing for non-residents to buy vacation homes, according to Thomas Davidoff, an economist with the University of British Columbia. “I’ve always known we should raise property taxes, and cut income and sales taxes, but politically, it’s murder,” Davidoff says. In 2016, Davidoff and two other authors proposed a 1.5 percent surcharge on homes whose owners don’t pay income tax in the province.

Elected officials started considering similar approaches, seizing on growing political and public concern of the city’s unused or under-used real estate. “Local city councillors were asking us for good data on how many [empty homes] there were,” says Matthew Bourke, a city housing planner. So in 2015, Robertson’s administration commissioned a study with Ecotagious, a Canadian energy company, to figure out just how many homes were sitting empty.

In measuring electricity data across the city, the report found more than 12,000 residential properties in Vancouver were unoccupied for more than 12 months at a time. The

study, which took roughly six months, “provided a really good baseline for the situation we’re in,” Bourke says.

Providing such data was key to solidify political and public report for a tax, Bourke adds. Those within the administration say that ultimately passing the empty homes tax wasn’t a fraught political battle.

But there have still been hurdles in adopting the tax for the 2018-2019 budget. “This is an ongoing tax, every single year, in which all 200,000 homeowners will have to file a [property status] declaration,” Bourke says. After an extensive advertising campaign by the city, over 98 percent of homeowners declared the status of their property by the deadline. “It has been a big deal for the city,” Bourke adds.

One group, the Unfair Vancouver Vacant Homes Tax Coalition, cropped up after feeling misled through the legislative process, in which it claims the city administration suggested that those who actively use their secondary homes would be exempt. That’s not quite the case. The law states properties are taxed unless they’re “rented for at least six months of the current year, in periods of 30 or more consecutive days,” with some exceptions that include a home used for full-time work or one being renovated or redeveloped. People who make false declarations will face fines up to \$10,000 a day, as well as paying taxes owed.

Others have come out against the tax, with one developer telling the Globe and Mail it was “absurd” and would “only incentivize people to find ways around it.” A property owner suggested to CBC that while the tax will lead to more housing availability, it won’t necessarily drive down prices. And Davidoff argued that the city “painted with a very broad geographic brush” in establishing the tax, pointing out Vancouver’s islands hold vacant homes but don’t have the same problem of housing locals.

Vancouver’s housing agency worked closely with local universities to come up with options for the tax, and throughout the process Bourke says public polling showed a tax was supported by the majority of people who responded.

Ultimately, local officials hope to utilize the empty homes tax — which they tout as the first of its kind passed in North America — as one more tool in what’s been called a “radical” 10-year housing plan. “We want to promote the idea that housing is for homes first,” Mayor Robertson says.

Others have proposed similar policies in their cities. Last year, the Regional Plan Association backed a pied-à-terre tax for New York, a city with more than 60,000 properties used either as second homes or short-term rentals, according to the U.S. Census Bureau. The idea has been repeatedly floated over the last few years and never gained political traction, although it did make it into the association’s Fourth Regional Plan. In England, a government pledge to tackle the housing crisis by giving councils more powers to crack down on empty homes has yet to be implemented.

Later this spring, Vancouver will release early estimates of the empty homes tax revenue to the public, as well as details on affordable housing initiatives the revenue will support. At least a few governments will be taking note — Toronto and Sydney are closely eyeing Vancouver’s rollout, the Robertson’s administration says.

“I’m optimistic this can be a successful tool in Vancouver,” Robertson says, “And I’m hopeful we have a model here that can be helpful for other cities in our predicament.”