

Unjust Property Tax Coalition
(formerly Unfair Vancouver Vacancy Tax Coalition)
www.unjustpropertytax.net

Nov 26, 2019

Rebuttal to CoV Empty Homes Tax Report Nov 26,2019

Your honor the mayor, and councilors.

I am a member of the Advisory Committee of the Unjust Property Tax Coalition founded in 2017. Its mandate is to seek fair and just amendments to the current Vacant Homes bylaw #11674. The city staff November 2019 report on the effectiveness of this bylaw, reaches trend conclusions that we question. More specifically we are against the staff recommendation to not grant an exemption for owners of secondary homes.

Our two key points are :

1. it is unreasonable for a public body to state they are not prepared to develop an exclusion to the bylaw for the purpose of fairness, because it is administratively cumbersome.
2. the data analyses used in the report are unconvincing, based on inadequate data and thereby reach tenuous conclusions about trends .

When first requesting enabling legislation from the Province, then-mayor Gregor Robertson's fundamental commitment was to ensure a fair process. This remains to this day, with this report, a victim of administrative expedience, where cost/revenue is the over-riding philosophy. The **core purpose of the bylaw** is to encourage movement of privately owned housing into the rental market. Revenue thereby generated and directed towards affordable housing initiatives was a side benefit.

Underlying, there also continues to be a hostile attitude towards legitimate owner-occupiers of secondary homes. The original framework to the bylaw mentions efforts to be made to help facilitate owners become landlords. No such efforts nor resources have been forthcoming. The now inconvenienced, reluctant landlord of a single property must assume all administrative tasks, financial risks and liabilities. In contrast, substantial resources have been allocated to help renters collectively, in both finding leases and advocacy work. This includes the creation as a resource, a Renter's Centre.

Second Homes Used Occasionally During the Year.

In this section of the report, city staff acknowledge that there is a class of non-vacant properties, so-called under-utilized, that owners claim cannot be rented because they are used intermittently for personal reasons. It cites reasons as "visiting the city, family or for professional purposes", but fails to mention as other examples, ongoing medical care, elder care and volunteer work. Our coalition has numerous members where these other aspects loom large. The report acknowledges that there is very little statistical

data on owners of secondary properties, somewhat mitigated by recent Stats Canada releases. However staff made no effort to quantify such categories of personal use from their own database and conclude, based on “*housing policy expert opinion*” ... that “*taxation on these properties is in line with the tax objectives*”, .. and that “*that given Vancouver’s low rental vacancy rate and high cost of housing... it is appropriate for owners who wish to maintain a secondary residence to pay a progressively higher tax rate*”. Hence, no further accommodation by an exemption is recommended by staff.

We submit that such expert “opinion” is more a statement of a political belief that the right of use of personal property can be marginalized. Such opinion is not grounded on fact. “**Fairness**” – what is acceptable and appropriate” in that context becomes an issue more of “**justness**” – what is morally right and reasonable, given that secondary home intermittent usage can be perfectly legitimate and defensible, and the evolution of the housing crisis, lands substantially at the feet of the City and Province itself, both in inaction and lack of foresight. Tax on this property is already being paid, and Vancouver’s vacant housing crisis is multifactorial. Our coalition has made suggestions for amendments on past occasions, without result.

The staff state that remediation would be costly. This conclusion parrots the original recommendation of the accounting firm Ernst & Young, who formulated the tax administrative protocols. No serious attempt to tabulate and obtain a better understanding of those unfairly affected has been made by city staff, other than to note that some have rented out (under what stressful financial circumstance?) or if able, re-designated which property was their principal residence. Without amendment, the tax hurts nonworking seniors and does not consider how families use and share property inter-generationally over the years.

Our primary recommendation remains - to allow an amendment for this subclass of ownership in the case of one secondary home in Vancouver (vs multiple property ownership). Such owner’s would submit a declaration establishing that the property is fully furnished at all times for immediate use, cannot be reasonably rented because it is used for professional, volunteer, family or medical purposes during the year, and cannot be made a principal residence for valid reason (eg owner’s residence is out-of province). Documentation such as this is not onerous to administer in audits, and the already-defined stiff penalties should mitigate against false declarations. If tax declarations are sufficient for Revenue Canada, knowing that there are severe penalties for falsification, they should be adequate for city administration. (*see appendix re amendment wording*)

In regards to the data provided, we note :

- the data is almost exclusively internal. External CMHC data for 2018-9 on rental availability is not included, as this report will not be released until February 2020.

Last year CMHC data reported an overall **drop of 1,000 rental units** from secondary condo market. whereas the city presented a **gain of a mere 117 condos** into the rental stream from its owner-occupied, secondary condo registry. The absence of CMHC corroborating data places city staff conjectures about trends, in a tenuous position.

- there is no direct relation between coercing the movement of privately-owned, middle and higher-end properties into the rental stream, and alleviating the problem of a very tight, affordable rental market. As noted in the report, the allegedly vacant properties, according to city data have a higher assessed value than the Vancouver average, by 53% for condos and and 40% for single family homes.

Vancouver is estimated to have a deficit of 30,000 rental units.

(<https://biv.com/article/2019/10/rental-demand-will-require-construction-30000-units-researcher>) In 2018, only 1,364 purpose-built rental units came on-stream.

(<https://mailchi.mp/goodmanreport.com/rental-housing-where-seattle-thrives-vancouver-stumbles?e=bc3439c85a>). **Worse, in 2019, only 947 units, came on-stream, a 30% drop.** Causes point to a poor climate of taxation and bureaucratic delays in permitting. In comparison, metropolitan cities surrounding Vancouver proper noted an increase of 3,013 new rental units.

City administration acknowledges that housing availability in Vancouver is a complex multifactorial dynamic. “*Isolating the effect of a single policy like the EHT in a market as dynamic as the city of Vancouver is challenging*” The effect of the city tax is but one of many factors, others being the provincial Speculation and Vacancy tax, restricting ability to launder money, the Foreign buyers tax, mortgage stress test, and overall market demand by population shifts. Hence any notations about trends that the report reaches can only be viewed as **conjecture**, and at times excludes other interpretations. For example, the report notes that 1,676 less properties were declared vacant or exempt in 2018. Also that 40% of properties exempted were due to a property ownership transfer. One possibility is that owners of secondary homes elected to sell their residences, and found an equivalent rental, thereby avoiding the EHT taxation altogether, and exacerbating the tight rental market.

In summary,

The EHT program continues to unfairly disadvantage a cohort of legitimate intermittent home users, with no city staff recommendation for remediation. If the elected city council persists with the Vacancy tax bylaw, council should agree to an amendment such as suggested.

The EHT to date cannot claim to have significantly alleviated the tight rental market, as it is but one of many factors, and likely minor. The secondary (private ownership) rental condo market has always been fickle and subject to significant fluctuations relative to purpose-built condo rentals. This is where the primary attention should be focused: to

incentives for developers of purpose-built rentals rather than punitive taxes on private owners. Through the combined efforts of the city, province and federal government, major efforts need to be revitalized in social and subsidized housing initiatives, abandoned since the 1970s.

Original estimates that fuelled the need for the Vacancy tax bylaw were of as much as 22,000 “vacant” homes in the city. The reality- only 10% of the estimate, at most 2,538. In 2018, the city only managed to reduce the number of “vacant” homes on their registry by 549 (some or many of which were partly occupied). In 2017 by 117 units. These paltry reductions fall far short of the goal of transferring thousands of homes into the rental market.

For this result, a massive bureaucracy was set up costing millions annually to run and finance, and continues to dismiss the cohort that is being taxed unfairly. Over two years It has collected \$80M from 1.1% of the taxpayer base through levies, penalties, fines and liens. It has cost homeowners hundreds of hours of time and money to deal with the declarations, audits, appeals, other paperwork, and with some seeking professional consultants. Most of all, it meant many owners have had to sell their second homes in Vancouver, thereby losing their connection to this city and their contribution to its vibrancy and economy. There are far better and fairer ways to achieve the intended goal. Specifically, creating a climate that entices developers back into purpose-built rental construction as Seattle has, significantly streamlining the permitting process, and if necessary, broadening the tax base to legitimately fund affordable rental initiatives.

Closing comments:

City staff bring a lot of professional expertise in grappling with a crisis of low rental vacancy and affordability , using various tools and mechanisms.

However, in terms of moving private ownership properties into the rental stream, the EHT remains a minor performer, and we predict will continue to do so.

Although it plays well in the court of public opinion, it feeds debates on wealth gap, and polarizes citizens unnecessarily.

It ignores the rights of use of personal property, and the audit process has no flexibility for some legitimate complaints and personal hardships

Yes, the EHT generates \$ millions, put to good use, but that was not it’s purpose, and the end does not totally justify the means. If Council elects to keep the EHT, then do the right thing and allow an amendment rectifying unintended consequences. Our Coalition has made concrete suggestions , as outlined in the paper circulated in that regard.

Appendix:

Recommended amendment wording to section 3.9 of Vacancy Tax bylaw #11674

Add as Section 3.9 the following: “Secondary Use Residential Property:

3.9 A vacancy tax is not payable under this by-law for a parcel of residential property if the residential property was unoccupied for more than six months during the vacancy reference period if the residential property:

- (a) is the sole secondary property owned in Vancouver by the registered owner
- (b) was furnished sufficiently for immediate use as a residence during that portion of the vacancy reference period that the residential property was owned by that registered owner; and
- (c) was maintained as a genuine second home or as a genuine holiday home primarily for the exclusive use of that registered owner, or any of the family of that registered owner or any of their invitees.”

“Family” in respect of a registered owner means, the spouse of the registered owner and any of the children, grandchildren, parents, grandparents or siblings of the registered owner and the spouse of any of them.