

Ms. Julia Aspinall
Director, Financial Services
City of Vancouver
Cc: Patrice Impey
Sarah Ellis
Lesley Murphy

Dear Ms. Aspinall,

This letter is a follow-up to the Zoom meeting of January 12, 2023, that was convened by Ms. Sarah Ellis on behalf of the City.

As stakeholders in the outcomes of Vancouver's Vacancy Tax bylaw (EHT), we stated that we would supply further information. On Feb. 6, we completed a survey of our coalition membership base regarding decisions individual property owners have had to make as a result of the EHT increase to three percent, and will have to make due to this year's anticipated increase in the tax to five percent. The results are shared below.

Our group of property owners represents 110 actual properties, with an estimated 150-owner base as a result of co-ownership. Historically, participants in our coalition grew from a core on the Sunshine Coast, to Vancouver, to all of B.C, Alberta and the rest of Canada and beyond. Coalition participants represent a cohort of similar owners who have not as yet landed on our website.

As previously pointed out, most of the members of our coalition are Canadian, retired and of advanced age. Fifty-four percent are over 70, and a further 35 percent are between 60 and 69. There are few non-Canadians, which matches current CMHC statistics showing that foreigners comprise about five percent of people who own property in Canada.

This survey of our active members had a 39 percent response rate. That high response rate offers a solid base from which to draw conclusions.

- in **2021**, 37 percent of the properties were tenanted, while the rest were either principal or secondary residences.
- by **2022**, 26 percent additional properties had been sold and 7 percent had transitioned to principal residence.
- in **2023**, a further 48 percent of owners plan to sell. Only seven percent plan to retain a presence in Vancouver by subsequently renting a condo for themselves.

Results:

By far the majority of owners are choosing to sell outright rather than put up their condos for tenancy. This is to be expected, given some personal accounts of difficult renters, our relative naïveté as landlords, the age of the owners, and the intended use of their property -- medical reasons and proximity to family members, for example. We are not institutional owners.

In contrast to city support of renters (the Renters Office) no support was ever given to us with regard to securing reliable short-term tenants. There have also been recent media reports where under-reported subleases went wrong -- and in extreme cases of condos being sold by tenants using fabricated ownership documentation.

Our survey points to a general decision of Canadian retirees getting out of secondary ownership outright as a result of the ruinous increased taxation policy of Vancouver's ideologically driven previous mayor. No other jurisdiction in North America, or indeed globally, has instituted a vacant homes tax more punitive than one percent. On a typical \$800,000 condominium, a five percent tax would result in a before-tax payout of \$60,000 from a retiree's income -- equivalent to the total average salary in Vancouver (\$62,250).

The City has voiced concern about the hollowing out of the middle class and its negative impact on Vancouver's social fabric and resiliency. The EHT negatively affects this middle-class base, particularly with regard to intergenerational family supports when retirees sell out.

What is not accounted for is the human value of retirees supporting young families with dual work commitments, or millennials providing eventual elder care support. Further, land and home acquisition are often generational assets that transition over time. The city administration needs to factor in adequate flexibility in time and format.

Survey Limitation: With a 39 percent response rate, we may be underestimating the impact of subsequent sales decisions. Some members of the coalition may have already made such a decision and are no longer actively involved in the coalition or responding to our surveys, despite regular efforts by our committee to maintain as active a participant base as possible. This variable, if anything, would trend towards a more significant decline in maintaining secondary home ownership, whether for personal use or to lease.

Recommendations:

Our previously submitted recommendations are strengthened by this poll (the original is attached for your reference):

1. If not repeal the tax outright, bring it in line with the 0.5% provincial SVT, or scale it back to 1%. Possibly, consider reducing the arbitrary 6 months residency requirement to something more realistic, as 4 months.
2. Allow for ownership of one secondary property in case of bona fide first-degree extended families living in Vancouver proper, or in metropolitan Vancouver. An extended family is defined as one that extends beyond the nuclear family, including grandparents, aunts, uncles, cousins and nephew/nieces, who all live nearby. Notably, even the Residential Tenancy Act

protects the right of owners to re-occupy if there is family need, yet the EHT has a limited family exemption.

3. Rather than chase a diminishing taxation base by doubling audits (with corresponding increased administrative overhead), the City should charge a **social resiliency surtax** on the full property ownership base of 186,043 residential properties, rather than the limited 1.3 percent of properties currently affected by the EHT.

We understand the pressing need for revenue directed towards subsidized housing.

However, the Vacancy Tax bylaw's primary intent is to increase the rental market pool for people who live and work in Vancouver. Logically, this means long-term rental. In this regard, the Vacancy Tax bylaw (EHT) is a failed initiative, not only in achieving any substantive impact, but more specifically by creating a system where owners are encouraged to rent short-term for a cumulative six months in a given year to avoid taxation.

Vancouver's rental vacancy rates continue to be severely stressed, indicative of the fact that the rental market is driven by more substantive complex, market-driven influences than any factors the EHT can influence.

A recent poll by CMHC indicates Vancouver's vacancy rates have declined to at less than one percent and rental rates to have actually increased by 20 percent post-pandemic.

(<https://www.theglobeandmail.com/business/article-canada-apartment-vacancy-rate/>)

Whatever minor shift that has resulted in the EHT influencing property owners to rent short-term, it pales in comparison to the housing need backlog of 50,000 homes, and the projected need for a further 80,000 homes within the next decade.

A recent article by Prof. Andrey Pavlov at SFU's School of Business published in the Goodman report of Feb 2/23 on B.C.'s new \$50 million Rental Protection Fund makes the following crucial point:

“The bottom line: We've been trying hard to micromanage and regulate every conceivable aspect of our housing market. The outcome? The annual number of purpose-built rental units in B.C. hasn't changed much since the early 1990s, while the population has grown by 50%. Failed policies have led to more failing policies.”

One final, crucial point: the Vacancy Tax bylaw totally ignores the needs of a vibrant segment of middle-class seniors who remain attached to Vancouver, professionally, medically, and as a community and members of families. This is in contrast to the city's purported goals of becoming more senior-friendly. Seniors need time to address options other than being warehoused in seniors' residences, and for many, condominium “pied-a-terres” are part of that transition.

It will take a City staff leadership with a clear-headed vision to recommend a reversal of the previous council's decisions, to the current mayor and council, as it charts its own course to address housing needs.

A copy of our original presentation to the zoom meeting is attached

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