

May 16, 2017

Mr. Rainer Borkenhagen

BY EMAIL: aborkenhagen@yahoo.com

Dear Mr. Borkenhagen,

RE: Proposal for Amendment - Vacancy Tax By-law No. 11674

We are writing in response to your letter to Vancouver Mayor and Council dated April 29, 2017 enclosing a proposal for amendments to the City of Vancouver *Vacancy Tax By-law No. 11674*.

Firstly, we would like to thank you for preparing a thoughtful proposal to a complex issue and for taking the time to engage with the City on this matter. We have considered your proposal very carefully, bearing in mind the goals of the Empty Homes Tax (EHT).

As you are most likely aware, Vancouver is experiencing a housing crisis. In response to this crisis, Council enacted the *Vacancy Tax By-law* to increase the supply of rental housing for people who live and work in the city. Therefore, the by-law does address both empty and under-utilized properties.

As we understand it, your proposal seeks to amend the by-law so that the tax would not apply to: 1) “exempt” secondary residences that are legally and beneficially owned by a permanent resident of Canada, who pays income tax in Canada and who occupies the secondary residence for at least 60 days per year, and 2) “seasonal” secondary residences that are beneficially owned by a non-resident of Canada who occupies the secondary residence for more than 120 days per year. As such, the owner would be required to demonstrate, and the City would be required to verify, the length of actual occupancy by that owner or their friend or family member within the applicable tax year.

As noted in the September 20, 2016 and November 16, 2016 reports to Council, careful consideration was given to the potential impact of the EHT on owners of second homes in Vancouver. However, following public consultation and input from both local and international subject matter experts on best practices, staff recommended a by-law that did not exempt or apply a different rate to secondary residences. The reasons for this are set out in the Council reports (see <http://vancouver.ca/home-property-development/why-an-empty-homes-tax.aspx>); the primary reasons being the intent of the EHT (increasing homes available for long term rental) and the challenge of demonstrating and verifying the actual length of occupancy, which is not recommended for a tax like the EHT.

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Demonstrating and verifying actual occupancy would place an administrative burden - for both audit and enforcement - on the City, and would place a burden on the owner to maintain logs (of activity, travel, etc.) and evidence of local expenditures. This type of information would be easy to falsify and difficult to audit.

For these reasons, staff did not recommend that the EHT program include full or partial exemptions for secondary residences based on usage. Instead, and unless a specific exemption applies, the EHT will be applied to residential properties that were neither (1) the principal residence of the owner, a family member, or friend, nor (2) rented out in periods of 30 or more consecutive days, for at least six months of the applicable tax year.

Certain exemptions were created to enable owners of secondary residences to continue occupying their secondary residences periodically. Since making housing available for Vancouver's workforce is a goal of the EHT, the by-law includes an exemption for owners who occupy their secondary residences for at least 180 days of the tax year in order to work in the city. The by-law also allows the six-month rental requirement to be met through non-consecutive rental periods (of at least 30 days each), which enables owners of secondary residences to use their properties for up to 180 days each year.

Finally, the tax is applied at the parcel level so, if a secondary residence in Vancouver includes an additional dwelling (such as a basement suite or a laneway house), the tax would not apply if that dwelling is a principal residence for an occupier or is rented out for at least six months of the year.

Owners who decide not to rent out their secondary residence in Vancouver for six months of the year may choose to pay the EHT, sell the property or, if eligible, establish their Vancouver home as their principal residence - being the usual place they call home - for six months of the year. If an owner of a secondary residence in Vancouver decides to establish this home as their principal residence, they must be able provide documentation to support that change (i.e. government-issued records like a drivers' license, income tax notice of assessment, Medical Services Plan invoice, and/or an affidavit or a statutory declaration).

Members of the public are not able to add items to the Council agenda: this must be done by staff or a Council member. At this time, staff are not intending to bring your proposed amendments forward for consideration by Council. For further information, please see: <http://vancouver.ca/your-government/speak-at-city-council-meetings.aspx>

Kind regards,



Patrice Impey
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Finance, Risk & Supply Chain Management and Chief Financial Officer, City of Vancouver



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