

TO: MAYOR & COUNCILLORS
FROM: DEPUTY CHIEF ADMINISTRATIVE OFFICER AND CHIEF FINANCIAL OFFICER
SUBJECT: **SPECULATION AND VACANCY TAX**
PURPOSE: To convey information regarding the status and achievements of the Speculation and Vacancy Tax and to propose feedback to be provided to the Province.

RECOMMENDATION

THAT the report titled “Speculation and Vacancy Tax” dated January 29, 2024, be received for information; and

THAT the proposed response to the Province (Attachment 1) be submitted.

EXECUTIVE SUMMARY

On December 4, 2023, the City received a briefing from the Province (Attachment 2) providing data and commentary over the status and achievements of the Speculation and Vacancy Tax (SVT). Additionally, a letter provided alongside the report from the Provincial Minister of Finance formally invites Mayor Mike Hurley to participate, through written correspondence, in the fifth annual consultation on the SVT. This report will summarize the Provinces’ own report and introduce proposed feedback for the Province.

1.0 POLICY SECTION

The Speculation and Vacancy Tax is authorized by British Columbia’s Speculation and Vacancy Tax Act.

2.0 BACKGROUND

The SVT is a tax applied to all properties owned within the Metro Vancouver Regional District, the Capital Regional District, Kelowna, Nanaimo, and various nearby cities. Property owners are required to complete an annual declaration that is used to obtain an exemption to the tax if the property is being utilized as a principal residence, occupied by a tenant, or not occupied for other appropriate reasons such as being recently acquired or inherited.

Since 2019, the tax rate has been equal to 0.5% of a property’s assessed value or 2% for foreign owners and satellite families. The SVT is distinct from Vancouver’s empty homes tax which is applied against Vancouver properties in addition to the SVT.

3.0 GENERAL INFORMATION

3.1 Report Highlights

The 2022 technical briefing reveals that approximately 99.7% of British Columbians are exempt from the tax with the majority 83% of revenues coming from non-BC residents. Moreover, a five-year report published in 2022 confirmed that by the pandemic, the 2% tax rate on foreign owners and untaxed worldwide earners had contributed to the addition of 20,000 condo units to the long-term rental market in Metro Vancouver. However, the housing market is noted to continue to be “characterized by low vacancy rates, high rents, rising building costs and constrained supply” with average purchase prices remaining high. Additional factors such as inflation, interest rates, and significant population growth are further impacting housing affordability.

The report notes that additional measures beyond the Speculation and Vacancy Tax are required to address housing affordability. Attention is drawn to the Province’s *Homes for People* housing plan which introduces several steps to:

- Speed up the delivery of new homes
- Increase the supply of attainable, small-scale, multi-unit housing
- Helping those who need it most, and
- Fighting speculation and profiteering

Additional steps being taken by the province include:

- Legalizing secondary suites across BC and creating a new secondary suite loan program that will launch in 2024;
- Amending bylaws to deliver more small-scale, multi-unit housing for people, including townhomes, triplexes, and laneway homes;
- Building thousands of new student housing beds;
- Facilitating more transit-oriented development by building more homes near transit hubs;
- Protecting renters by limiting annual rent increases to below inflation for the second year in a row to 3.5% in 2024
- Providing support to renters through the new Renter’s Tax Credit;
- Implementing a partial property tax exemption to encourage the construction of new purpose-built rentals;
- Working on a new flipping tax to discourage short-term speculation that can drive up housing prices;
- Speeding up development permit approvals to reduce costs and wait times; and,
- Providing more homes and supports for people experiencing or at risk of homelessness.

Progress already made:

- 77,000 homes have been delivered/are underway since 2017; these include:
 - 6,600 for middle-income families,
 - 8,000 for student-housing.
- 108,000 will be completed/under active construction by 2027/2028.
- Of the 51,000 new homes registered in 2022, 14,000 were purpose-built rental homes, the most since BC Housing started collecting this data in 2002.
- Strata rental-restriction and limited age-restriction bylaws were eliminated in 2022.
- A mandatory three-day “Homebuyer Protection Period” was implemented in 2023 to allow buyers adequate time to consider whether to move forward with a property purchase.
- Recently passed legislation restricts short-term rentals to primary residences in municipalities with a population over 10,000, focusing on three key areas:
 - Increasing fines and strengthening tools for local governments;
 - Returning more short-term rentals to long-term homes; and
 - Establishing provincial rules and enforcement.
- The Belonging in BC homelessness plan is delivered through initiatives across government and supported by investments of \$1.18 billion in Budget 2023, and \$633 million in Budget 2022.

During 2022, the SVT collectively generated \$81.9 million in revenue of which \$60.8 million (74%) is associated with properties located within Metro Vancouver. This is an increase from the \$78.4 million generated in 2021. It should be noted that these amounts are subject to a degree of change due to a portion of property owners remaining undeclared and the fact that property owners may amend their declarations for up to three years.

The distribution of taxpayers for properties within Burnaby is as follows:

Foreign Owners & Satellite Families who pay the SVT for properties in Burnaby	BC Residents who pay the SVT for properties in Burnaby
240	317

All taxes collected are directed into a Provincial Housing Priority Initiatives Special Account (HPI) for use in funding affordable housing programs, shelters, and rental initiatives within the regional districts that are taxed. The recipient of these funds is BC Housing. Although there is no indication of the value of funds reinvested by BC Housing into Burnaby specifically, BC Housing did expend \$749.4 million and \$988.4 million on initiatives within Metro Vancouver during the 2021/2022 and 2022/2023 fiscal years.

3.2 Changes to the Program

Following the first four annual SVT consultations, the SVT program has been/will be adjusted as follows:

The program will be expanded to apply to thirteen additional areas in January 2024:

- Vernon
- Coldstream
- Penticton
- Summerland
- Lake Country
- Peachland
- Courtenay
- Comox
- Cumberland
- Parksville
- Qualicum Beach
- Salmon Arm
- Kamloops

Regulations have now:

- Clarified what geographic areas shall be used to determine the annual fair market rent for residential properties; this applies to certain exemptions.
- Confirmed that a receiver managing a corporation, which holds residential property, does not meet the criteria of a corporate interest holder. Corporate properties may be exempt if their corporate interest holders use a property as their principal residence.

3.3 Advocacy to the Province

Previously, the City has advocated to the Province for a new funding model where Speculation and Vacancy taxes collected are distributed not only to BC Housing, but also directly to the municipalities in an amount proportionate to what was contributed. Receiving funding directly would help Burnaby to implement locally-appropriate housing solutions as opposed to relying solely on BC Housing. In addition, the City has also advocated for additional powers that would permit it to implement its own Empty Home's Tax, similar to Vancouver.

At the time of writing, the above proposals by Burnaby have not been implemented by the Province. Should Council wish to reiterate this feedback to the Province, a proposed response has been drafted within Attachment 1.

4.0 COMMUNICATION AND COMMUNITY ENGAGEMENT

Not Applicable.

5.0 FINANCIAL CONSIDERATIONS

Monies collected through the Speculation and Vacancy Tax are not collected, administered, or retained by the City of Burnaby, as such there is no direct financial impact to the City. However, BC Housing projects undertaken in Burnaby that use SVT funds could indirectly offset City costs that may otherwise have been spent on housing projects.

Respectfully submitted,

Bob Klimek, Deputy General Manager Finance

ATTACHMENTS

Attachment 1 – Letter to the Province from the Mayor

Attachment 2 – 2022 SVT Technical Briefing

REPORT CONTRIBUTORS

This report was prepared by Geoff Mooney, Finance Functional Lead, and reviewed by Ratan Grewal, Director Budgets & Reporting