



THE CORPORATION OF THE CITY OF VERNON

MEMORANDUM

TO: Patti Bridal, Chief Administrative Officer **FILE:** 6750-01
PC: Terry Barton, Director, Planning & Community Services **DATE:** December 1, 2023
FROM: John Perrott, Manager, Economic Development & Tourism
SUBJECT: BRITISH COLUMBIA SPECULATION AND VACANCY TAX OVERVIEW

On Wednesday, November 22, 2023 the Government of British Columbia announced the expansion of the Speculation and Vacancy Tax program to 13 new municipalities which included Vernon and Coldstream (Attachment 1). Beginning in January 2025, residents of these communities will be required to complete an annual declaration (due March 31 of each year) which confirms the use of their property – used as their primary residence, as a rental, or is used for other purposes.

The Speculation and Vacancy Tax was introduced in 2018 and initially included only the Okanagan communities of Kelowna and West Kelowna, but excluded other Central Okanagan communities like Peachland and Lake Country. This expansion now covers the Okanagan communities of Penticton, Summerland, Peachland, West Kelowna, Kelowna, Lake Country, Coldstream, and Vernon.

For individuals who claim their home as their primary residence or rent out the property for at least six months a year, their property is likely exempt from the Speculation and Vacancy Tax. However, properties that don't meet these criteria – those not identified as primary residences, not rented for at least six months annually, left uninhabited, or failing to qualify for an exemption, are subject to the following tax rates:

- 2% of the property's assessed value for foreign owners and satellite families; or
- 0.5% of the property's assessed value for Canadian citizens or permanent residents of Canada who are not members of a satellite family (A satellite family member is an untaxed worldwide earner, also known as a member of a satellite family, is an individual whose unreported (in Canada) income is greater than their reported (in Canada) total income.)

There are a number of exemptions to the Speculation and Vacancy Tax for individuals, lands under development, and for corporations, trustees and business partners based on various of situations. A few of the notable exemptions include:

- Properties with an assessed value under \$150,000
- Properties that are owned by a registered charity, co-operative, municipality or other government entity
- Properties that are rented for at least six months of the year

- Properties that are under construction or renovation and the property cannot be occupied for a period of at least 90 days in the calendar year
- Properties that are newly constructed and under the ownership of the developer, remain unoccupied, and are offered for sale in the calendar year
- Strata properties that are operated like a hotel for most of the year (owners can occupy the property for periods of the year) and the annual usage is reported to BC Assessment and meet the definition of a “Strata Accommodation Property”.

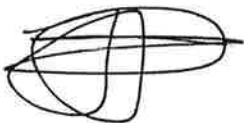
With regard to Strata Accommodations Property (SAP), BC Assessment defines an SAP as “a strata lot that is in a strata plan or contiguous strata plans comprised of 20 or more strata lots, and which is rented or offered for rent as overnight accommodation for periods of less than 28 days for at least 20% of the 12-month period ending June 30”. In Vernon, there are a number of developments including the Outback Resort, the Strand Lakeside Resort, and parts of Predator Ridge Resort who operate and market as a hotel that will likely meet this qualification and will continue to be exempt. At this time, Administration is unclear if other developments within tourist zones (i.e. C10, C10A, C12, RTC, and RTCa) (Attachment 2) in the community, that are individually owned, operated, and marketed using online platforms like Airbnb would qualify for the Speculation and Vacancy Tax exemption.

For the 2023 tax year, approximately 68% of the 18,849 residential properties in Vernon claimed the home owner grant, indicating use as a primary residence and would be exempted. Of the 32% of residential properties that did not claim the home owner grant, Administration is not able to quantify how many of these would qualify for an exemption to the Speculation and Vacancy Tax when it comes into effect in January 2025.

RECOMMENDATION:

THAT Council receive for information the memorandum titled “British Columbia Speculation and Vacancy Tax Overview” dated December 1, 2023 and respectfully submitted by the Manager, Economic Development and Tourism.

Respectfully submitted:



John Perrott
Manager, Economic Development and Tourism

Attachment 1 – Government of BC Media Release: Speculation tax expanding to new communities to deliver more homes for people

Attachment 2 – Map of Tourism-zoned properties in Vernon

Approved for the Agenda by the CAO





NEWS RELEASE

For Immediate Release
2023FIN0065-001819
Nov. 22, 2023

Ministry of Finance

Speculation tax expanding to new communities to deliver more homes for people

VICTORIA – The Province is taking action to fight real estate speculation and turn more empty units into homes for people by expanding the speculation and vacancy tax to 13 new municipalities.

“There is a housing crisis across the country and it is creating economic challenges, including people feeling pushed out of their communities and labour shortages,” said Katrine Conroy, Minister of Finance. “With so many people struggling to find secure housing, we have to keep taking action – we can’t afford to pull back. The speculation tax is one of the ways we can help increase affordable housing options for people and communities.”

Expanding the speculation tax is part of B.C.’s Homes for People plan that includes actions to fight speculation, deliver more homes within reach for people, and speed up delivery of new homes.

“There’s something wrong when people are buying up investment homes and keeping them empty while others are living in vehicles and can’t find housing,” said Ravi Kahlon, Minister of Housing. “Homes are meant to be lived in by people in our communities, not used for speculation. While some would cancel the speculation tax – giving a handout to speculators and turning homes back into empty condos – we know that people can’t afford that. We’re taking action to make more homes available for people throughout the province.”

An independent review released in 2022 found that the tax had helped deliver more than 20,000 homes in Metro Vancouver alone. The report included recommendations that government consider taking a phased approach to expanding the speculation and vacancy tax to additional communities to build on the success of the measure and deliver more homes for people.

The speculation and vacancy tax will be applied to the following municipal boundaries to help ensure more empty homes are made available for the people who work and live there:

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

Residential property owners in these communities will need to declare for the first time in January 2025 based on how they used their property in 2024.

This gives owners in the new areas time to decide how to meet exemption requirements before the tax takes effect. Exemptions include primary residences, properties with a long-term tenant and life events, such as separation or divorce.

More than 99% of people living in B.C. are exempt from paying the tax.

Quotes:

Rob Douglas, mayor, North Cowichan –

“Like other communities across B.C., we are facing a housing crisis in North Cowichan with home prices increasingly out of reach for many working families and a rental vacancy rate close to 0%. We welcome being included as an area in the speculation and vacancy tax. It will help us respond to our housing challenges, and we look forward to seeing funds collected through this tax invested in affordable housing projects in our community.”

Blair Ireland, mayor, Lake Country –

“The expansion of the speculation and vacancy tax does not come as a surprise to us in Lake Country. It has always made sense to align major policy throughout communities of the Central Okanagan and, as such, we are now in line with the City of Kelowna. This decision provides a cohesive message to all Central Okanagan builders and buyers and less confusion for taxpayers.”

Bob Wells, mayor, Courtenay –

“The City of Courtenay takes housing accessibility and affordability in Courtenay seriously and see the speculation tax as another tool to assist in making more housing available to residents. The city will continue to make the approval of new housing a priority and share the provincial government’s commitment to the development of new housing options for all residents. We hope this helps increase our vacancy rate, which was only 0.8%, with 3.1% of private dwellings sitting empty in 2022.”

Vickey Brown, mayor, Cumberland –

“Expanding the speculation and vacancy tax to include our community isn't just about property. It's about ensuring each community has strong neighbourhood connections instead of empty houses; it's about turning houses into homes instead of a collection of assets; and it's about creating vibrant communities filled with life.”

Quick Facts:

- The speculation and vacancy tax was initially expanded to six new communities in 2022 for the 2023 tax year.
- With the addition of these 13 communities, the tax will apply to a total of 59 communities.
- Since 2018, more than \$313 million was raised through the tax to go back into affordable housing in regional districts where the speculation and vacancy tax is applied.
- During the same period, the B.C. government invested \$3.9 billion in housing initiatives in the regional districts where the speculation-tax communities are located.

- The speculation and vacancy tax rate is 2% for people who don't pay the majority of their taxes in Canada, or 0.5% for Canadian citizens or permanent residents who pay the majority of their taxes in Canada.

Learn More:

To learn how the speculation tax applies, such as how to declare and exemptions, visit:

<https://gov.bc.ca/spectax>

To read the Speculation and Vacancy Tax five-year review report, see:

http://news.gov.bc.ca/files/Speculation_Vacancy_Tax_Review.pdf

To learn about the Homes for People plan, visit:

<https://news.gov.bc.ca/releases/2023HOUS0019-000436>

A backgrounder follows.

Contact:

Ministry of Finance
Media Relations
250 886-5927

Connect with the Province of B.C. at: news.gov.bc.ca/connect

BACKGROUND

For Immediate Release
2023FIN0065-001819
Nov. 22, 2023

Ministry of Finance

Taking action to deliver more homes for people

The government has made progress to deliver housing for people in B.C., fighting speculation and building record numbers of homes, including accelerating housing construction even further.

As part of the government's Homes for People plan, the Province introduced new legislation and took several steps this fall to deliver the homes people need faster, while creating more vibrant communities throughout B.C. These actions include:

- amending bylaws to deliver more small-scale, multi-unit housing that is more within reach for middle-class earners, including townhomes, triplexes and laneway homes;
- creating new standardized designs for small-scale, multi-unit homes through the new Standardized Housing Design Project;
- allowing homeowners with secondary and basement suites in every community in B.C. to support the upcoming provincial pilot secondary suite incentive program;
- introducing short-term rental legislation to help turn more short-term rentals back into homes for people;
- introducing legislation aimed at speeding up the delivery of more homes near transit hubs;
- introducing legislation to reduce construction delays and streamline processes to fund key services, infrastructure and amenities for growing communities;
- removing zoning barriers and speeding up housing development approvals, by shifting local planning and zoning processes to take place up front;
- investing \$51 million in capacity funding to support local governments' work to update their processes to meet new requirements to accelerate approval processes and build the homes people need;
- protecting renters by limiting annual rent increases to below inflation for the second year in a row to 3.5% in 2024; and
- introducing a new tax credit for renters – up to \$400 a year back from the Government of B.C. for people who rent their homes.

The Province also introduced the Housing Supply Act to help deliver more good homes for people where they're needed most.

- The act will help increase the supply of housing in B.C. by establishing housing targets for specified municipalities to meet the crucial housing needs of their communities.
- The first cohort of municipalities have been selected and targets have been released.
- A second cohort of eight to 10 municipalities will be selected and notified in late 2023.

Amendments were made to the Strata Property Act to make it possible for homes that are

vacant to be rented, while also removing discriminatory age and rental restrictions that hurt young families.

Effective Jan. 1, 2024, people who build rental units with at least four suites and keep them as rentals for 10 years can apply for a new property transfer tax exemption.

Budget 2023 supports the Homes for People action plan, starting with more than \$4 billion over three years and a commitment to invest \$12 billion over the next 10 years to deliver more homes for people, faster. This investment builds on the government's \$7 billion commitment from 2018.

Since 2017, nearly 77,000 homes have been delivered or are underway throughout the province.

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