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# *Policy Brief:*
# *Discouraging High-End Vacant Properties*

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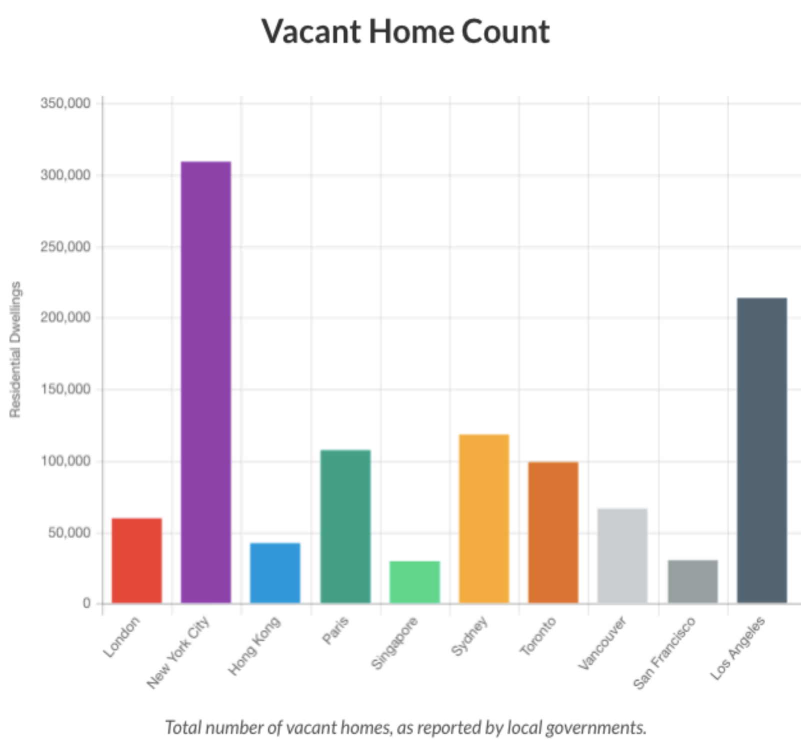
*Global inequality is driving the movement of trillions of dollars of investment capital around the world in search of stable real property assets. This is fueling a luxury building boom, both in commercial and residential markets. Many of these properties are not occupied, as they are "wealth storage units" for global capital. These forces are having a disruptive impact on local communities.*

*Below is a list of current and potential municipal ordinances that aim to discourage vacant properties, and in some cases, generate funds for affordable housing. "Vacant" is defined as not being occupied for over six months of the calendar year. Currently, Washington D.C. is the only metropolis in the United States to have implemented a tax on vacant properties. High-rent cities like New York, San Francisco, and Oakland have indicated interest in following suit. Outside of the United States, multiple cities including Vancouver, Paris, and Melbourne have enacted similar laws that tax or fine owners of properties left vacant.*

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## Washington, D.C

In 2010, D.C. City Council passed the Budget Support Act that applied an additional tax on properties, commercial and residential, left vacant for over half of the year. Vacant properties are taxed at a rate of $5 per $100 of assessed value. If the property is blighted, it is taxed at a higher rate of $10 per $100 of assessed value. [1] Operating under the Department of Consumer and Regulatory Affairs, the Vacant Building Enforcement Unit determines the category of each parcel: occupied, vacant, or blighted. Exempt properties include those that are currently under construction, are the subject of a probate proceeding or active litigation, and/or are actively seeking renters or buyers.[2]

## Vancouver, Canada

In July 2017, Vancouver legislated a new property tax on vacant properties called the Empty Homes Tax. This new tax targets residential property in order to combat the recent housing crisis caused by landlords' lack of willingness to enter into rental agreements. Under the Empty Homes Tax, also referred to as the Vacancy Tax, vacant residential properties are taxed at a rate of 1% of their assessed values. Similar to D.C., homeowners can apply for exemption if their properties are under construction, have been recently sold, or are located in an area with rental strata restrictions. [3]

## Melbourne, Australia

In 2017, the Victorian government introduced a Vacant Residential Property Tax under the State Taxation Acts Amendment Bill, a law that will levy a tax on homes that remain unoccupied for over half of the calendar year. Almost identical to Vancouver's legislation, the imposed tax will be 1% of the properties' assessed value and will apply only to residential properties, leaving commercial properties exempt. Exemptions can also be obtained if the property in question is a vacation home for an Australian resident or a unit used for work. The tax will be applied based on self-reporting of homeowners.[4]

## Paris, France

In Paris, a trend of extreme vacancy led to the 2015 introduction of a tax on vacant homes equal to 20% of the properties' market rent values. In 2017, the city decided to triple this tax to 60% in order to increase the legislation's efficacy. As of late 2017, approximately 7.5% of homes remain unoccupied. Due to the city's compact nature, new housing development is difficult, making lowering vacancy rates imperative.[5]

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[1] https://otr.cfo.dc.gov/page/otr-vacant-real-property

[2] https://dcra.dc.gov/service/exempt-vacant-property

[3] http://vancouver.ca/home-property-development/empty-homes-tax.aspx

[4] https://www.sro.vic.gov.au/news/new-measures-vacant-property-melbourne

[5] https://betterdwelling.com/vacant-homes-global-epidemic-paris-fighting-60-tax/#_

## New York, NY

New York's vacancy struggle is mainly rooted in empty commercial properties. Mayor Bill de Blasio has proposed a vacancy tax that would levy a fee on property owners who refuse to lease their spaces. Landlords are skeptical of entering into leases that are often long term and price fixed, opting instead to wait until market rent increases to a more profitable level. This strategy has led to empty storefronts and barren neighborhoods.[6]

## San Francisco, CA

San Francisco currently has an annual flat fee of $711 that homeowners pay for properties that remain unoccupied for six months or more in a calendar year. However, this fee is imposed based on self-reporting. A meager 38 residential and 47 commercial properties registered this year, leaving much to be desired. Unfortunately, introducing a vacancy tax could be tricky due to California's Prop 13, which states that any taxes based on the value of a property cannot be greater than 1% of the property's assessed value.[7]

## London, UK

In the United Kingdom, the government granted local governments the ability to impose a vacancy tax of 100% on properties left unoccupied with in their municipalities. Previous to this legislation, local authorities had the ability to tax vacant properties at a rate of 50%. However, many find it dubious that local authorities will do so. In the past, local governments have been known for their encouragement of property ownership. Imposing a large vacancy tax could potentially deter prospective homeowners from buying secondary residences.[8]

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[6] https://nypost.com/2018/03/30/de-blasio-eyes-vacancy-tax-for-greedy-landlords-seeking-top-dollar/

[7] https://www.sfchronicle.com/business/networth/article/Should-SF-tax-empty-homes-and-buildings-11306541.php

[8] https://www.ft.com/content/8e021d3a-cf91-11e7-b781-794ce08b24dc