



BRITISH COLUMBIA
REAL ESTATE
ASSOCIATION

the bulletin

Bring Out the Best in Affordability

Despite challenging economic conditions and the unexpected costs from forest fires, floods, SARS and BSE, the provincial government met its target to balance the 2004-2005 provincial budget. The real estate profession commends the government for honouring this commitment.

Over the next three years, the government plans to invest more than \$1.3 billion in critical areas, including education, post-secondary institutions and health care. Overdue investments that improve the affordability of housing throughout the province must also be made.

The RBC Economics *Affordability Index* continues to demonstrate that the cost of housing across British Columbia is by far the highest among all the provinces. This assessment is based on the average monthly payments for principal, interest, taxes and utilities. The percentage of household income devoured by homeownership costs is also the highest in the country.

In the 2004 budget, the government acknowledged higher housing prices affect affordability and proceeded to raise the threshold for the Home Owner Grant. Almost 95 per cent of homeowners across the province now qualify for the full grant.



BCREA encourages the government to build on this announcement and adopt the following budgetary measures to strengthen affordability.

Review the Home Owner Grant

Property values around BC are projected to rise and the grant must keep pace and serve its purpose to reduce the amount of tax homeowners pay. Inequities in the program, specifically the \$2 million preferential threshold provided to resident homeowners in Whistler, must also be addressed to ensure fairness.

BCREA recommends the government resolve the issue by making 100 per cent of the province's resident homeowners eligible for the grant. This will also ensure that the program serves its original purpose despite any fluctuations in property assessments.

Reduce the Property Transfer Tax (PTT)

The PTT continues to impede affordability. Over ten years, its removal will benefit the public, the government and industry by generating:

- 4,870 person years of employment
- \$334 million in new residential investment
- \$500 million in wages and profits
- \$40 million in tax revenue to the provincial government
- \$23 million in provincial sales tax revenue

BCREA recommends the government reduce the PTT. For example, reduce to zero the PTT payable on property sales under \$200,000. For property sales over \$200,000, reduce the PTT payable on the first \$200,000 to zero and two per cent on the balance.



The supply of rental housing is weak in some parts of the province, and the government should consider measures, such as further tax and red tape reduction, to help stimulate the construction of new rental accommodation.

Consider recommendations in *Making Housing Affordable*

Several more recommendations to help improve the affordability of housing are outlined in the BCREA brief *Making Housing Affordable*. MLAs have received copies of this brief, which is also available on BCREA's website, www.bcrea.bc.ca.

Through discipline, hard work and sound fiscal management, the government has improved the province's financial outlook. Revitalizing the economy, which includes improving the affordability of housing, and enhancing the environment for growth will help bring out the best in this province.

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President's Report

One Profession, One Voice

Government Liason (GL) Days has been a key piece of BCREA's government relations strategy for over 15 years. This long-standing success is largely due to the commitment of the GL representatives who converge upon Victoria each year. And their impact carries far beyond GL Days.

Thank you to the over 60 REALTORS from around the province who give up time from their businesses and families to speak on our behalf. GL representatives are important grass-roots links between the real estate profession and all levels of government. By remaining non-partisan, they ensure an ongoing exchange of information with all political parties. This distinction also positions them as the primary contact for local politicians seeking opinions on real property matters.

GL representatives are essential to BCREA's legislative strategy. They are integral in influencing local MLAs, and providing information necessary for them to function as members of the provincial government.

BCREA's government relations team consists of the Legislative Task Force (LTF) and each real estate board's government relations committee or representatives.

Once the LTF has decided on a course of action, GL representatives are given relevant information and asked to discuss it with MLAs. GL representatives are the support system to BCREA's LTF, which directly approaches the various ministries by way of position papers, briefs and meetings with MLAs and government staff.

GL representatives are essential to BCREA's legislative strategy

Government liaising is the process of being informed about current issues and legislation that affects your profession, and discussing them with your MLA in a knowledgeable, professional manner. The purpose of GL Days is to support GL representatives in this process.



President *David Herman*

Our efforts only have an impact when all GL representatives participate with one voice. This means setting aside personal beliefs and, instead, adhering to the positions and recommendations of the majority. These positions and recommendations have come about through many hours of meetings, and a consensus at both the local board level and the LTF.

With volunteers and staff working together as a team, we accomplish great things for the real estate profession and our customers. Thank you again for your continued support, and I look forward to more success in the future.

David Herman
President

Board of Directors 2003-2004

Long-Range Plan Principles

- Building membership relations
- Responding to communication needs
- Leading provincial advocacy efforts on behalf of the profession
- Demonstrating public interest
- Offering excellence in education services
- Providing enhanced service options for member boards
- Maintaining an equitable fee structure

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Fairness for Private Property Owners

BCREA commends the provincial government for its commitment to fully protect private property owners' rights and resource tenure rights in treaty negotiations. Established in the Attorney General's Service Plan Summary 2002-2005, this commitment is an important step in support of private property ownership in BC.

However, REALTORS recognize that an increasing number of provincial and municipal statutes ignore the rights of private property owners. The *Community Charter*, *Significant Projects Streamlining Act*, *Heritage Conservation Act* and *Streamside Protection Regulation* are recent examples.

provincial and municipal statutes ignore the rights of private property owners

In its brief, *Fairness for Private Property Owners*, BCREA makes several recommendations that will help the government balance its needs with those of private property owners. The *Community Charter*, which came into effect in January 2004, exemplifies the needs of owners.

The *Charter* delegates significant power over land use, finances and other matters to municipalities. This means laws, which may vary from one municipality to another, could limit the rights of private

property owners through arbitrary land use restrictions.

REALTORS believe the *Charter* lacks checks and balances on the power vested with municipalities and overlooks the value of private property.

Buyers and existing private property owners must be assured that they will be treated fairly when their property value is negatively affected by government policy and legislation. They deserve not to be deprived of their property without a fair hearing, considered for financial compensation and provided the right to appeal if they feel their rights have been denied.

BCREA is pleased to work with the provincial and local governments to implement the recommendations outlined in its brief. The recommendations include:

Establish a notice board at the Land Title Office

Public awareness of legislative developments that affects the use of land is critical. BCREA urges the provincial government to develop a notice board through which all legislation that may impact real estate is referenced on all potentially affected titles.

Consistently recognize private property owners' rights

Recognition begins with entrenchment of the concept of protecting property rights in provincial policy and legislation as a guiding principle. Private property owners' issues should be



reviewed during the policy drafting process and by a stakeholder committee during the legislative process. Compliance requirements in legislation should be simple.

Compensate for diminished property values

BCREA believes the government has a moral responsibility to pay fair compensation to owners whose property values are adversely affected as a result of government policy and legislation. Measures that benefit the public should be paid for by the public.

BCREA's brief has been received by all MLAs and is available at www.bcrea.bc.ca. BCREA is pleased to work with the government to ensure that the value of private property and the rights of owners are protected.

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Grow-Ops and Home Warranty Insurance

By the Homeowner Protection Office



Homeowner Protection Office

Given BCREA's recent announcement that Property Disclosure Statements will now contain a question asking whether a seller is aware if the home for sale has been a grow-op, REALTORS and homebuyers need to be aware of the implications on 2/5/10 home warranty insurance for homes once used as grow-ops.

components of a policy of 2/5/10 home warranty insurance can be invalidated

As of July 1, 1999 licensed residential builders are required to arrange for home warranty insurance on the construction of new homes to obtain a building permit or commence construction. Minimum coverage now set by legislation includes two years on labour and materials, five years on the building envelope and ten years on the structure of the new home—also known as a 2/5/10 warranty.

Home warranty insurance, as defined under the *Insurance Act*, is “a contract of insurance covering defects in the construction of a new home.” Since

it is a policy of insurance, home warranty insurance cannot be cancelled or suspended.

However, under the *Homeowner Protection Act* regulations, there are permitted exclusions for home warranty insurance that can be impacted by the existence of a grow-op. Under these regulations, a warranty provider may exclude:

- any damage to the home to the extent that it is caused or made worse by an owner or third party, including:
 - negligent or improper maintenance or improper operation by anyone other than the residential builder or its employees, agents or subcontractors
 - failure of anyone, other than the residential builder or its employees, agents or subcontractors, to comply with the warranty requirements of the manufacturers of appliances, equipment or fixtures
- any defect in, or caused by, materials or work supplied by anyone other than the residential builder or its employees, agents or subcontractors; and
- changes, alterations or additions made to a new home by anyone after initial occupancy, except those performed by the residential builder or its employees, agents or subcontractors as required by the home warranty insurance or under the construction contract or sales agreement.

Given the allowable exclusions for home warranty insurance, components of a policy of 2/5/10 home warranty insurance can be invalidated. The appropriate home warranty insurance provider should be contacted to confirm to what extent the policy of home warranty insurance might have been impacted by the grow-op.

Below is list of warranty providers approved by the Financial Institutions Commission to provide home warranty insurance:

- St. Paul Guarantee Insurance Company (formerly London Guarantee Insurance Company). 1.800.555.9431
- The American Bankers Insurance Company of Florida represented by Residential Warranty Insurance Services Ltd. 1.800.238.3493
- Royal & Sun Alliance represented by National Home Warranty Programs. 1.888.243.8807
- Royal & Sun Alliance represented by Marathon Warranty Corporation. 604.530.9772
- Commonwealth Insurance represented by Willis Canada. 1.800.665.5252

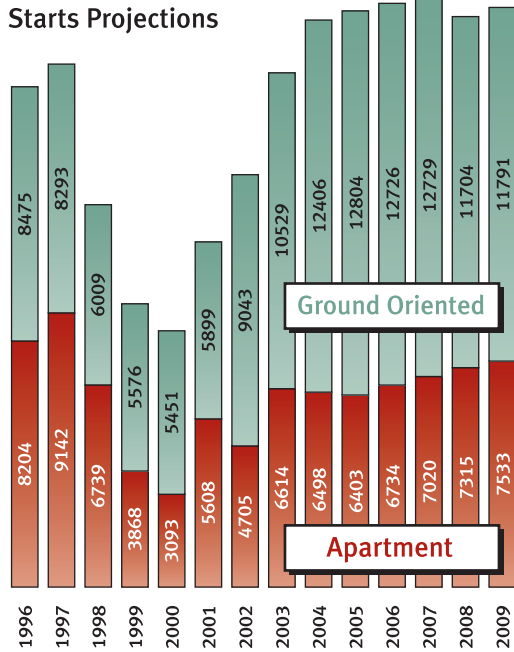
The *Homeowner Protection Act* and regulations, including the provisions that set out allowable exclusions for home warranty insurance coverage, can be viewed on the Homeowner Protection Office website at www.hpo.bc.ca on the Publications page.

Lower Mainland Potential by David Baxter and Andrew Ramlo



Author **David Baxter**

Lower Mainland Housing Starts Projections



Considering the pace of residential real estate development activity in the Lower Mainland during the past two years, the question in many minds is whether an overbuilt market is looming. Given projected population change and the housing occupancy patterns the answer is an “overwhelming no!” for the ground oriented market and a “balanced no” for the apartment market.

From 1996 to 2003, additions to the housing stock did not keep up with the growth in potential demand, creating a cumulative shortfall of 30,000 dwellings by the end of 2003. However, it appears the Lower Mainland housing market is moving toward a period of relative balance between annual potential demand and supply.

Recent trends and the current interest rate environment show the ground oriented market should be able to support development activity in the range of 12,400 starts per year over the rest of this decade, with the apartment market able to support an average of 6,900 starts per year.

Read David Baxter’s and Andrew Ramlo’s entire analysis in *Going, Going...Development Potential and Housing Starts in the Lower Mainland*. The report is available from the Urban Futures Institute at: www.urbanfutures.com/Institute/

Practical Points

Showing Tenant-Occupied Properties

The *Residential Tenancy Act* (RTA) contains provisions that affect the showing of a rental property.

The period of written notice a landlord may give for access to the property changed January 1, 2004. The landlord can now provide written notice at least 24 hours and not more than 30 days before the entry, including the following information:

- the purpose for entering, which must be reasonable, and
- the date(s) and time(s) of entry, which must be between 8 am and 9 pm, unless the tenant otherwise agrees.

A landlord can give notice setting out a reasonable schedule of viewing times for an upcoming period. However, the RTA also sets out a tenant’s rights to reasonable privacy and freedom from unreasonable disturbance. It is clearly not reasonable to give notice that permits a property to be shown daily from 8 am to 9 pm for a three-week period. It is preferable if the landlord and tenant can agree to a schedule of viewing times. If not, the tenant’s rights must be taken into consideration in establishing a reasonable schedule.

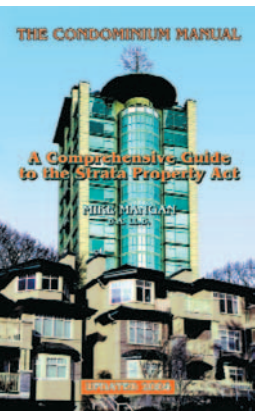
The use of lockboxes for tenanted properties is also contrary to the Act.

More information:

- read the Residential Tenancy Office’s (RTO) Fact Sheet for Landlords and Tenants (on BCREA’s REALTOR Link™ homepage, www.realtorlink.ca)
- visit the BC government website at www.gov.bc.ca (type “rto” in the search bar)
- call the RTO’s 24-hour recorded information line:
 - in the Lower Mainland: 604.660.1020
 - elsewhere in BC: 1.800.661.4886
- take BCREA’s cpe seminar *Selling Tenant-Occupied Properties* (STOP)

— Source: Residential Tenancy Office, Fact Sheet for Landlords and Tenants

Coming Soon: Condo Manual II



Representing buyers and sellers when dealing with condominiums, townhouses or other strata properties is not simple. In fact, it has never been more important to have a clear understanding of the law and the

myriad rules, regulations and procedures that must be followed to do a professional job.

A recent case before the Commercial Appeals Commission (*Wong v. Real Estate Council of BC*) highlights this importance. A buyer's agent gave the strata minutes to her clients without reading them and did not ask questions about the condition of the property before subjects were removed. The buyer's agent was found to be negligent, in part, for failing to read the minutes.

Each case is different, with a licensee's actions measured in terms of the expected standard of care; however, if you choose not to read the strata minutes, you may place yourself at risk. It is clear that REALTORS involved in the sale of strata properties need to understand and employ the many tools available to help their clients make fully informed decisions.

The Condominium Manual, second edition, written by Mike Mangan, cpe instructor, adjunct professor and lawyer, is one of the best resources at your disposal. It builds on the solid best-selling success of the first edition, containing 60 pages of new information that gives readers a clear understanding of how the *Strata Property Act*, regulations and standard bylaws work. Using plain language, recent case law and helpful examples, it is an essential resource for REALTORS, brokers, condominium owners and strata council members.

Add this helpful volume to your real estate resource centre and give it as a gift to your clients who buy strata properties. It answers these and many other questions:

- Who must contribute to an expense?
- Who is responsible for repairs?
- Can the bylaws restrict rentals and pets?
- What is the role of strata corporations, council and property manager?
- What are the requirements for record-keeping, meetings and voting?

The Condominium Manual, second edition, is almost ready for print. The first edition sold out promptly and, with it becoming an Applied Real Estate Course standard reading text, demand is expected to be significant. Watch for it this spring.

cpe Seminar Schedule

continuing professional
education

CONDO 101: Strata Law for REALTORS

Instructor: Mike Mangan

- June 10, REBGV, Vancouver

CONDO 202: Advanced Strata Law for REALTORS

Instructor: Mike Mangan

- May 28, OMREB, Kelowna
- June 15, REBGV, Vancouver

Foreclosures and Court Ordered Sales

Instructor: Jack Micner

- June 11, OMREB, Vernon

Professional Presentation of Offers

Instructor: Richard Collins

- May 20, REBGV, Vancouver

Legal Update 2003-2004

Instructor: Mike Mangan

- April 16, SOREB, Penticton
- May 3, OMREB, Salmon Arm
- May 4, OMREB, Kelowna
- May 14, VIREB, Qualicum Beach
- May 21, VIREB, Duncan

Representing Buyers in New Home Sales & Condominiums

Instructor: Gerry Halstrom

- April 29, REBGV, Vancouver

Selling Tenant-Occupied Properties (STOP)

Instructor: Evelyn McNulty

- May 14, KREB, Nelson

Check with your local board office for last-minute changes. Look for more cpe seminars on BCREA's REALTOR Link™ homepage, under Education.