



BRITISH COLUMBIA
REAL ESTATE
ASSOCIATION

October 10, 2018

Select Standing Committee on Finance and Government Services
c/o Parliamentary Committee Office
Room 224, Parliament Buildings
Victoria, BC V8V 1X4
Submitted via email: FinanceCommittee@leg.bc.ca

Committee members:

A home is a critical foundation for a good Quality of Life. The British Columbia Real Estate Association (BCREA), its 11 real estate boards and more than 23,000 REALTORS® in BC appreciate the BC Government's focus on securing a better future for British Columbians. We believe housing is an essential place to start, and that British Columbians should have access to appropriate and affordable housing choices.

The increasing burden of taxes and fees at the provincial and local government levels can constrain housing supply in the short term by reducing the financial viability of projects. BCREA urges the BC Government to work with local counterparts to increase housing supply and ensure the cumulative real estate tax burden does not work against efforts to improve affordability.

A thriving economy is another important element of Quality of Life. Unfortunately, real estate offices in some smaller communities are closing as a result of recent changes to real estate practice. This means less revenue for those communities, and leaves consumers with fewer choices in the professionals who can represent their interests. The same practice changes have cast a shadow of uncertainty over many commercial real estate transactions, because the changes were designed for the residential market. A lack of confidence in the real estate sector does not contribute to economic vitality.

BCREA has several recommendations to support the government's objectives and benefit British Columbians.

Recommendations

1. Ensure the Property Transfer Tax accurately reflects the dynamic nature of the real estate market.

The housing market in BC continues to experience significant change, the result of market forces and policy changes made by the federal and provincial governments. At the provincial level, expansions of the Property Transfer Tax (PTT) make up a large proportion of these changes. As shown in the table below, the addition of a new PTT rate on high-valued homes and the

1420 – 701 Georgia Street W, PO Box 10123, Pacific Centre, Vancouver, BC V7Y 1C6

President James Palanio
Past President Jim Stewart

President-Elect Michael Trites
Chief Executive Officer Darlene Hyde

bcrea@bcrea.bc.ca | 604.683.7702 (tel)
www.bcrea.bc.ca | 604.683.8601 (fax)



increase and expansion of the foreign buyers’ tax has increased the already substantial tax burden on BC homebuyers:

1%	2%	3%	5%	20%
First \$200,000 of fair market value	Over \$200,000 to \$2 million	Over \$2 million to \$3 million	Over \$3 million for residential	On full fair market value*

*payable by foreign buyers of homes, other than those in Provincial Nominee Program, in the Capital Regional District, the Fraser Valley Regional District, the Greater Vancouver Regional District, the Regional District of Central Okanagan and the Regional District of Nanaimo.

In 2017, the average Multiple Listing Service® price in the province was \$709,559, meaning the average homebuyer paid over \$12,000 in PTT costs. These additional costs may price homebuyers out of many areas.

Moreover, PTT revenue for fiscal year 2017/2018 totaled over \$2.1 billion—a new record, and a 5.7% increase from the previous fiscal year. In fact, PTT revenues have increased every year since 2011/2012, in this province with the highest provincial transfer tax in the country and some of the highest home prices.

The following adjustments to the existing PTT structure would make housing more affordable for a wider range of British Columbians.

- **Increase the First-Time Home Buyers’ Program PTT exemption threshold to \$750,000 from \$500,000.**
The current exemption threshold simply does not meet the needs of first-time buyers in the province’s most expensive markets. BCREA forecasts that the average MLS® residential price in the province will increase 1.9% to \$723,200 this year, and a further 5.3% to \$761,600 in 2019. Increasing the exemption threshold for first-time buyers will expand choices for these buyers.
- **Index the following PTT thresholds to an objective housing inflation measure and make adjustments annually:**
 - 2%, 3% and 5% thresholds,
 - First-Time Home Buyers’ Program exemption threshold, and
 - Newly Built Home Exemption threshold.

Possible inflation measures include BC Assessment median home price or a weighted average of the regional MLS® Home Price Index.

Unless specific thresholds are indexed, their effectiveness erodes over time. In the worst cases, they end up causing damage, crippling the ability of future generations to own their

own homes. When the PTT was introduced in 1987, the 2% threshold applied to only 5% of homes sold on the Multiple Listing Service®. In 2017, the 2% threshold applied to 89% of homes sold on the MLS® System.

- **Expand the exemption for the additional 20% foreign buyers' PTT to include everyone with a work permit in BC, and do not increase this tax or expand it beyond its current geographical scope any further.**

When the additional PTT for foreign residents in the Greater Vancouver Regional District was first introduced in August 2016, it took buyers and sellers by surprise. In February 2018, the tax rate was increased, and the geographic scope of the tax expanded, even though the effectiveness of the tax is not clear.

While intended to target foreign ownership, the expanded foreign buyers' tax has compounded the financial barriers facing foreigners currently living and working in BC who try to purchase properties in our communities. The exemption for foreign nationals who receive confirmation under the BC Provincial Nominee Program does not apply broadly enough to ease this pressure. The exemption from the tax should be extended to all those with work permits in BC.

2. Ensure fairness and effectiveness in the proposed speculation tax.

In Budget 2018, the BC Government announced a speculation tax. Following initial feedback, the focus was adjusted to target foreign and domestic homeowners in specific urban areas who pay little or no income tax in BC and those who own second properties that are not long-term rentals. BCREA believes the proposed tax is misnamed, as speculation is widely understood to be buying and selling real estate within a relatively short period. What has been proposed captures properties that have been owned for many years—in some cases, decades—for personal use rather than speculative gain.

Many homeowners in the affected areas will experience negative impacts, including higher taxes and potential market disruption. In addition, many non-British Columbians (even some from inside the province) may have to sell their homes, regardless of how long they have owned them. About 70% of British Columbians are homeowners, and homeowners in the affected areas could lose equity if the tax is implemented as proposed.

- **Homeowners who pay income tax in Canada should be exempt from the speculation tax, regardless of how many homes they own.**

In the March 26, 2018 update, additional details about the tax were released that confirmed British Columbians and Canadians who own a qualifying second home in major urban areas will be subject to the speculation tax. If the true intent of the tax is to prevent speculation, then it should not penalize British Columbians and other Canadians who own second homes in our province.

- **Homeowners should not be taxed twice.**

Ensure that the City of Vancouver's Empty Homes Tax and the proposed speculation tax do not both apply to the same property. Both taxes are intended to increase housing supply. We urge the province and the city to coordinate their efforts so homeowners are not unfairly penalized.

- **Development properties should be exempt from the speculation tax.**

These properties are often bought years before they are developed, and the proposed tax would add costs. Builders and developers could sign declarations regarding their intentions, to ensure such an exemption is used properly.

- **Create incentives for homeowners to make their homes available as long-term rentals, rather than penalizing people who do not rent their properties.**

We believe offering incentives is a more effective way to increase rental supply than penalizing those who choose not to do so. Also, owners of homes in condo or housing co-operatives where rules prevent them from renting out their units should be exempt.

3. Exempt vacant lands held for development from the additional school tax.

Starting in 2019, an additional school tax will increase the tax burden for owners of high-valued residential properties in BC, including detached homes and vacant lands. Similar to our position on the speculation tax, taxing vacant lands held for development would add costs that would be passed on to consumers. Builders and developers could sign declarations regarding their intentions, to ensure such an exemption is used properly.

4. Encourage greater density in urban areas.

BCREA shares the government's focus on increasing housing supply. We recommend the province work with local governments to:

- **Increase the supply of smaller, market homes in neighbourhoods using PTT revenue to create gentle density in low density neighbourhoods.**

Gentle densification is a strategic way to increase the capacity of urban spaces while retaining the charm of each unique neighbourhood. For example, the province could provide financial incentives to municipalities to permit laneway homes and the stratification of secondary suites, where the home permits it. Funds could be used to update zoning and to create a system for stratifying suites.

- **Increase the supply of affordable, market, ground-oriented, family (three-bedroom) homes along transit corridors in lower density neighbourhoods using PTT revenue.**

Increasing density along key transit corridors can efficiently bring more homes to existing communities. For example, the province could provide financial incentives to municipalities fast tracking medium-density projects—townhomes, co-housing and cooperatives—to help defray the costs of accelerated planning and rezoning.

5. Create rules that benefit small communities and commercial transactions.

On June 15, a ban on limited dual agency (LDA) took effect. LDA occurs when one REALTOR® represents more than one party in a real estate transaction, and it's very difficult to practice in small communities and commercial transactions, in which few REALTORS® specialize. There is a very narrow exemption from the ban, but little guidance has been offered to provide REALTORS® with the comfort to use it.

- **Clarify the existing exemption from the ban on LDA to help consumers in underserved communities.**

The exemption requires three conditions to be met: LDA can be practiced in geographically remote areas that are underserved by licensees where it is impracticable to bring in another licensee. BCREA has suggest how "remote" and "underserved" can be described, and would prefer the word "impractical" to "impracticable" which means that it is essentially impossible to involve another licensee.

- **Create a new exemption from the LDA ban for commercial transactions.**

The LDA ban was created with the residential market in mind. The world of commercial real estate includes a relatively small number of REALTORS® who serve also a relatively small number of sophisticated consumers who receive advice from a variety of professionals. This area of the market should be treated differently.

- **Appoint more REALTORS® to the Real Estate Council of British Columbia.**

The LDA ban was created out of a process and in a regulatory structure that does not include enough insight and consultation with professionals who understand the implications. BCREA urges the government to ensure at least half of the Council members are licensees.

- **Ensure reforms to the real estate regulatory framework that provide clarity, consistency and confidence.**

There are currently two real estate regulators, and a recent independent review recommended significant changes to resolve questions about their roles and help provide a firm foundation for oversight, giving licensees and consumers confidence in the system.

Conclusion

Thank you for the opportunity to contribute to these important discussions concerning the well-being of British Columbians and their housing options. BCREA's recommendations are intended to assist those struggling to enter the housing market, while providing support for homeowners and renters. Together, the REALTORS® and elected officials can ensure more British Columbians have access to affordable, appropriate housing that meets their needs, now and in the future.

October 10, 2018

BCREA representatives are pleased to discuss these issues further, as well as provide research or other support to help improve housing affordability and tax fairness for British Columbians. If BCREA can assist, please contact me directly (604.742.2787; dhyde@bcrea.bc.ca).

Yours sincerely,

A handwritten signature in black ink, appearing to read "Darlene K Hyde". The signature is fluid and cursive, with the first letter of each word being significantly larger and more stylized.

Darlene Hyde
Chief Executive Officer

About the British Columbia Real Estate Association and the impact of home sales

BCREA is the professional association for more than 23,000 REALTORS® in BC, focusing on provincial issues that impact real estate. Working with the province's 11 real estate boards, BCREA provides continuing professional education, advocacy, economic research and standard forms to help REALTORS® provide value for their clients.

The real estate profession delivers considerable benefits for BC's economy and for consumers. A 2017 study from the Canadian Real Estate Association found that between 2014 and 2016, the average BC residential housing transaction on the Multiple Listing Service® (MLS®) generated \$67,800 in related expenditures. MLS® home sales also generated 47,430 direct and indirect jobs in BC. At nearly 1 in 50 jobs across the entire BC economy, this was the highest relative job impact of any province.

Moreover, consumers appreciate the expertise REALTORS® bring to buying and selling homes. According to an August 2018 survey commissioned by BCREA, 88% of BC homeowners who bought or sold a home in the past five years used a REALTOR®. Nearly nine in ten (88%) were satisfied with the services they received, and 86% intend to work with a REALTOR® again.

To demonstrate the profession's commitment to improving Quality of Life in BC communities, BCREA supports policies that encourage economic vitality, provide housing opportunities, respect the environment and build communities with good schools and safe neighbourhoods.