

June 17, 2019

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

RE: Budget 2020 Consultation

Committee members:

For many British Columbians, a more affordable life means lower housing costs. Many British Columbians also recognize that it is a complicated issue with many moving parts. The fact that federal, provincial and local governments are all taking action to improve housing affordability is evidence of its complexity.

While the intentions are appreciated, action by all three levels of government without adequate coordination can also create more difficulties for individuals and the entire economy.

The British Columbia Real Estate Association (BCREA), 11 regional real estate boards and 23,000 REALTORS® in BC advocate for a stable housing market where consumers can be adequately represented by REALTORS®, to ensure that all British Columbians can access appropriate housing to meet their needs.

We ask that the BC Government focus attention on these issues:

1. Ensure fairness and effectiveness in provincial property taxes and coordination with federal approaches
2. Support policies that increase housing supply
3. Enhance the ability of REALTORS® to serve consumer needs
4. Provide adequate resources and develop smart policy to address money laundering in real estate

Specific recommendations for the BC Government

1. Ensure fairness and effectiveness in provincial property taxes and coordination with federal approaches

- Index the following Property Transfer Tax (PTT) thresholds to an objective housing inflation measure and make adjustments annually:

- Two per cent, three per cent and five per cent thresholds
- First-Time Home Buyers' Program exemption threshold, and
- Newly Built Home Exemption threshold.

Current PTT structure

- 1% on the first \$200,000 of fair market value
- 2% between \$200,000 and \$2,000,000
- 3% over \$2,000,000
- if the property is residential, 5% over \$3,000,000

The Property Transfer Tax (PTT) continues to have an adverse effect on housing affordability in BC. BC continues to have the highest provincial transfer tax rate in Canada. Combined with the highest home prices, the PTT may put home ownership out of reach for many families—especially in large urban areas. In April 2019 the average Multiple Listing Service® (MLS®) home price in BC was \$685,304, triggering over \$11,700 in PTT costs.

Unless specific thresholds are indexed, their effectiveness erodes over time. Static thresholds can cause damage to future homebuyers. For example, in 1987, the two per cent threshold affected only five per cent of homes sold on the MLS®. In 2017, the two per cent threshold applied to 89 per cent of homes sold on the MLS®.

- Increase the First-Time Home Buyers' Program PTT exemption threshold to \$750,000 from \$500,000.

An exemption threshold of \$500,000 does not match the reality of housing prices in BC. BCREA believes that increasing the exemption for first-time buyers will expand choices for first-time buyers.

- Set an end date on the Speculation and Vacancy Tax, based on predefined outcomes.
- Urge the federal government to review and reconsider the current mortgage underwriting “stress test” and reinstate 30-year amortizations for federally insured mortgages.

To date, the Speculation and Vacancy Tax has not reduced home sale prices in the province. While the average home sale price in BC dropped by seven per cent year-to-date in April 2019 compared to the same period of 2018, this is primarily the result of the federal government’s B-20 stress test, which was introduced at nearly the same time as the Speculation and Vacancy Tax. The tax is burdening many British Columbians but not truly improving market housing affordability.

2. Support policies that increase housing supply

- Exempt properties in the development process from the additional school tax using the same policy framework created to exempt development projects from the Speculation and Vacancy Tax.

Starting this year, an additional school tax will increase the tax burden for owners of high-valued residential properties in BC, including detached homes and vacant lands. Taxing vacant lands held for development increases the cost of development, rather than encouraging housing supply. The Canadian Home Builders’ Association of BC and other stakeholders worked with the Ministry of Finance on specific exemptions for the Speculation and Vacancy Tax, and BCREA believes the same approach should be taken with the additional school tax.

- 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.

- [Work with local governments to 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.

3. Enhance the ability of REALTORS® to serve consumer needs

- [Create a more effective real estate regulatory framework.](#)

In 2018, Dan Perrin undertook an independent review of our regulatory framework, and his report was published in September 2018. The Real Estate Council of British Columbia, which is overseen by the Office of the Superintendent of Real Estate, has been tasked with working toward a single-regulator model. BCREA welcomes that direction, which will improve efficiency and confidence in our regulator; however, we strongly believe that REALTORS®—with their practical insights and experience—need a voice in shaping and governing their profession.

- [Adjust the exemption to the ban on limited dual agency to make it usable.](#)

On June 15, 2018, a rule took effect banning the practice of limited dual agency, where a REALTOR® represents more than one party in a real estate transaction. This ban has negatively impacted both REALTORS® and consumers, especially in small communities and commercial transactions. Six months after the ban took effect, over 1,200 BC REALTORS® completed a BCREA survey. Most respondents found an increase in unrepresented consumers—that is, buyers and sellers working without REALTORS® and navigating the complex world of real estate on their own. BCREA's survey found that, among respondents who work in communities of less than 5,000 people, 81 per cent know REALTORS® who have given up their licenses as a direct result of the ban.

There is an exemption that allows the use of limited dual agency, but it is very strict and almost no guidance has been offered to give consumers and REALTORS® the confidence to use it. The result is that the exemption has not been used even once since June 15. BCREA has asked repeatedly for guidance and we are working on proposals to refine the exemption to turn it from theory into a practical tool.

- [Recognize the differences between commercial and residential real estate.](#)
Since 2016, REALTORS® who specialize in commercial real estate have struggled to adapt to changes that were designed for residential practice. This was reinforced in June 2018 with rule changes and new disclosure forms and processes that simply do not make sense in the commercial world and do nothing for consumer protection. The time has come to recognize that commercial real estate requires different training and different approaches than residential, and BCREA has asked the Office of the Superintendent to examine alternative licensing options.

4. Provide adequate resources and develop smart policy to address money laundering in real estate

- [Take time to carefully consider recommendations made by Peter German and the Expert Panel on Money Laundering in BC Real Estate and consult with stakeholders before taking action.](#)

While we agree with many of the Expert Panel's recommendations, we urge the government to take the time to carefully consider the recommendations and their impacts before implementing them. Seeking input from professionals and consumers to fully understand the implications of the recommendations is an essential step to this due diligence.

- [Coordinate actions with the federal government to create a comprehensive, efficient enforcement and regulatory regime.](#)
Efforts to reduce money laundering involve a variety of governments, agencies and sectors. To get the most out of any investment in this area, care must be taken to fully coordinate those efforts. BCREA encourages the government to set aside adequate time and money to make this happen.

Economic impact of real estate in BC

According to a 2017 study from the Canadian Real Estate Association, each home sale on the MLS® in BC between 2014 and 2016 generated \$67,800 in related expenditures in the three years after the sale. These expenditures include: general household purchases, moving costs, renovations, legal and appraisal services, as well as roughly \$7,000 in transfer taxes.

Thank you for the opportunity to provide input on the next provincial budget. We welcome all opportunities to work together to build a strong, sustainable future for our province.

June 17, 2019

Please contact me any time we can be of assistance (thargreaves@bcrea.bc.ca; 604.742.2798).

BCREA is the professional association for about 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.

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.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'T. Hargreaves', with a stylized, flowing script.

Trevor Hargreaves

Vice President of Government Relations and Stakeholder Engagement