



October 4, 2017

Select Standing Committee on Finance and Government Services  
c/o Parliamentary Committee Office  
Room 224, Parliament Buildings  
Victoria, BC V8V 1X4  
Submitted via online consultation portal:  
<https://consultations.leg.bc.ca/Submission/Create?cons=Budget2018>.

Committee members:

The British Columbia Real Estate Association (BCREA), its 11 real estate boards and more than 22,000 REALTORS® in BC appreciate the BC Government’s focus on affordability in its 2018 budget consultation. Undoubtedly, the high cost of housing is a key concern for many British Columbians. BCREA advocates for evidence-based policies to improve affordability for buyers, renters and owners.

A stable housing market helps ensure all British Columbians can access affordable, appropriate housing to meet their needs. Because housing must be a top priority for making life more affordable in BC, BCREA advocates for several changes to existing policies. Our recommendations focus on addressing supply and demand in the real estate market, as well as protecting property from the impacts of extreme weather.

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

The past 18 months have brought significant change to the housing market, including policy changes from the federal and provincial governments. Much of the provincial change is due to adjustments and expansions of the Property Transfer Tax (PTT), without warrant or advance notice. As the below table displays, the current PTT structure means the additional costs can pose a significant burden to BC homebuyers:

1%	2%	3%	15%
First \$200,000 of fair market value	Over \$200,000 to \$2 million	On the remainder over \$2 million	On full fair market value*

\*payable by foreign buyers of homes, other than those in Provincial Nominee Program, in the Greater Vancouver Regional District.

In 2016, the average residential price in the province was \$691,144, meaning the average homebuyer paid close to \$12,000 in PTT costs. In this competitive market, these additional costs may price homebuyers out of many areas. Moreover, PTT revenue for fiscal year 2016/17

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totaled over \$2 billion—a new record, and a 32.2% leap from the \$1.5 billion raised in the 2015/16 fiscal year.

The following adjustments to the existing PTT structure would make housing more affordable for a wider range of British Columbians by decreasing the tax burden, while maintaining a robust economy.

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

Increasing the threshold to \$750,000 would bring this policy in line with the newly-built homes exemption and the BC HOME Partnership Program. BCREA forecasts that the average MLS® residential price in the province will increase 3.5 per cent to \$715,000 this year, and a further 4.1 per cent to nearly \$745,000 in 2018. Increasing the exemption threshold for first-time buyers will increase consistency in existing policy and expand choices for these buyers.

- **Use the Housing Priority Initiatives Fund to increase the 2% PTT threshold from \$200,000 to \$525,000.**

For many years, the PTT has widely been considered a tax grab. The Housing Priority Initiatives Fund offers the opportunity to put PTT revenues to work for BC homebuyers. Using 2016 data, this measure would cost about \$225 million; PTT revenues would still exceed \$1 billion. This measure would help consumers all around the province, whether they purchase residential or commercial real estate, or new or existing homes.

- **Index the following PTT thresholds using the Consumer Price Index, and make adjustments annually:**

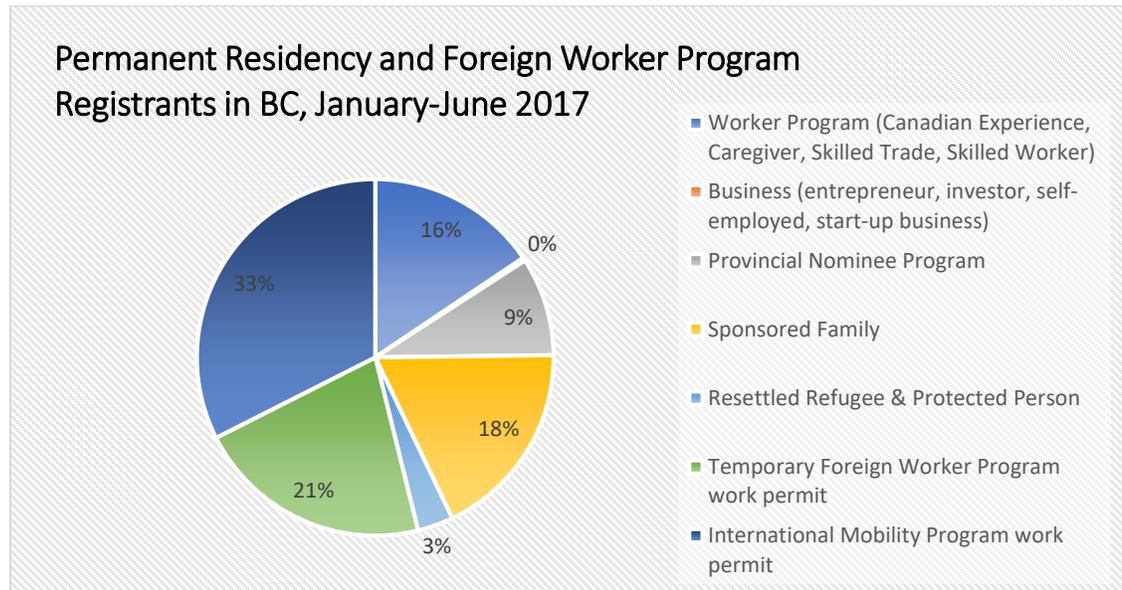
- 2% and 3% thresholds,
- First-Time Home Buyers' Program exemption threshold, and
- Newly Built Home Exemption threshold.

Unless specific thresholds are indexed, their effectiveness erodes over time. In the worst cases, they end up causing damage. When the PTT was introduced in 1987, the 2% threshold applied to only 5% of homes sold on the Multiple Listing Service®. In 2016, the 2% threshold applied to 88% of homes sold on the MLS® System.

- **Expand the exemption for the additional 15 per cent 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.**

The additional PTT for foreign residents in the Greater Vancouver Regional District, introduced in August 2016, took buyers and sellers by surprise. While intended to target foreign speculation, this tax has made it financially difficult for foreigners currently living in BC to purchase property in our communities. Registrants in the Provincial Nominee Program

comprise only 9% of permanent residents and foreigners with work permits in BC, as displayed below.



BCREA analysis has shown that this tax has not significantly impacted housing sales; the market has now returned to what would have been expected without the tax, indicating that it is not a very effective tool, and should not be expanded.

- **For any future changes to the PTT, ensure real estate transactions already underway are exempt.**

The implementation of the 15% additional PTT highlighted another concern for BCREA: that transactions already underway were not exempt. Fairness and market stability should be important considerations for tax changes. Exemptions for contracts that are already signed has been standard operating procedure in the past, and we urge that it be so in the future.

## 2. Encourage greater density in urban areas.

While demand-side measures are important, 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 the sale of 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.

**3. Delay implementing a province-wide absentee tax.**

BCREA is concerned about the 2% absentee tax contained in the NDP election platform. The City of Vancouver recently implemented a similar policy through their Empty Homes Tax, and the impacts are not yet known. We urge the provincial government to give sober second thought to this proposal and wait to review results from the City of Vancouver before implementing a similar policy province-wide.

**4. Ensure sufficient provincial government expertise and capacity to implement flood mitigation initiatives, including the National Disaster Mitigation Program.**

This year's natural disasters across the province are reminders of the need for proactive emergency and flood preparedness. Property is a massive investment, for both consumers and governments, and an important building block of BC's economy and stability. Therefore, property and citizens should be protected from flooding and other impacts of climate change as extreme weather events increase in severity and frequency.

Insured losses due to severe weather, which averaged \$400 million annually in Canada until 2009, have been at or exceeded \$1 billion every year since. Last year set a record for insured losses in Canada due to severe weather, totalling \$5.2 billion. Conversely, mitigating impacts in advance creates considerable financial savings. Analysis by the United States Federal Emergency Management Agency, cited in an Association of State Floodplain Managers report in 2013, found that every dollar spent on floodplain maps results in two dollars of taxpayer benefits.

The provincial government should invest in sufficient expertise and capacity, particularly within Emergency Management BC, to implement federal and provincial flood mitigation initiatives.

Our provincial economy and real estate market are robust. The provincial government is well-positioned to review current revenue and expenditures, and make adjustments to ensure policies prioritize improving affordability for all British Columbians. BCREA's recommendations will best assist those who struggle to enter the housing market, while providing support for homeowners and renters.

Thank you for the opportunity to contribute to these important discussions on the province's economic health. Together, the real estate sector and elected officials can ensure more British Columbians have access to affordable, appropriate housing that meet their needs, now and in the future.

BCREA representatives are pleased to discuss these issues further, as well as provide research or other support to help improve housing affordability for British Columbians.

Yours sincerely,



Damian Stathonikos  
Interim Chief Executive Officer

#### The British Columbia Real Estate Association

BCREA is the professional association for about 22,000 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 study from the Canadian Real Estate Association found that between 2012 and 2014, the average BC residential housing transaction on the Multiple Listing Service® (MLS®) generated \$62,725 in related expenditures, including roughly \$10,800 in transfer taxes and land registration fees for the provincial government. MLS® home sales also generated 32,960 direct and indirect jobs in BC. At nearly 1 in 70 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 a July 2017 survey commissioned by BCREA, 84% of BC homeowners used a REALTOR® for their last property purchase or sale, and 88% were satisfied with the services they received. REALTORS® and BCREA advocate for policies to maintain a strong economy while supporting and protecting consumers.

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.