



BRITISH COLUMBIA
REAL ESTATE
ASSOCIATION

the bulletin



Reduce Greenhouse Emissions at Home



Real estate sales and home

ownership contribute to the economic and social climate across British Columbia. But did you know real estate can also reduce greenhouse gas emissions?

In May, Finance Minister Carole Taylor asked stakeholders how tax incentives could be used to encourage consumers to reduce greenhouse gas emissions by 33 per cent by 2020, while maintaining a strong and competitive tax system.

BCREA, the Real Estate Board of Greater Vancouver (REBGV) and the Canadian Home Builders' Association British Columbia (CHBABC) responded to Minister Taylor's question through a unique provincial pre-budget proposal to the Standing Committee on Finance and Government Services.

Dilemma

Built Green™ is a nationally-based sustainability program, driven by the construction industry, that establishes standards for building new homes. The goal is to reduce a home's overall environmental impact by producing homes that are more energy efficient. A Built Green™ home saves 2.5 tonnes in greenhouse gas emissions each year and improves interior home air quality. The program sets out criteria for achieving each of three certification levels: Bronze, Silver and Gold. CHBABC joined the program in 2005, forming Built Green™ BC.

On average, a certified Gold home costs between 4 and 6 per cent more than a conventional house built according to the *BC Building Code*. Although consumers can save money through home energy savings down the road, the up-front cost to purchase a home built to this standard strikes at the heart of affordability.

Opportunity

CHBABC confirms that 400 Built Green™ homes were constructed last year and another 300 will be built across the province by the end of 2007. BCREA supports the idea of a pilot program to encourage the purchase of Built Green™ homes through a provincial tax incentive.

BCREA, REBGV and CHBABC are examining how buyers of Built Green™ homes could be exempted from paying the full Property Transfer Tax (PTT). For example, a buyer could qualify for a partial exemption for a home at the Bronze level. The higher the certification level, the greater the amount of tax exempted

Benefit

Although the real estate profession looks forward to the PTT being eliminated or significantly reduced for all homebuyers, this pilot program would provide an opportunity for government and the real estate and construction sectors to evaluate the impact of tax incentives on consumer choice, affordability and envi-

ronmental stewardship. Tax incentives for current homeowners who renovate their homes and achieve Built Green™ ratings could also be considered.

This is a unique opportunity to support the government's climate action plan, which mirrors BCREA's Quality of Life principles of preserving the environment and building better communities. By offering this incentive for consumers to participate, the government can also address the principles of providing housing opportunities and ensuring economic vitality.

More information

- BCREA, REBGV and CHBABC pre-budget submission – REALTOR Link®, www.realtorlink.ca (BCREA)
- Built Green™ BC – www.chbabc.org
- BC Ministry of Environment Climate Change Website – www.env.gov.bc.ca/air/climate

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President's Report

Public Affairs

We've all heard the expression, "the end justifies the means." This came into sharp focus for me about ten years ago when I became a director with the Real Estate Board of Greater Vancouver. The board had recently adopted the policy governance model, which meant our role as directors was to focus on the "Ends" and not the "Means" of the organization. That translated into concentrating on the outcome and not worrying about the details.

Until I truly understood what "governance" was really about, I had a hard time with the concept. With training and practice, I now see clearly that we're elected by our ownership (REALTORS®) to ensure certain results are achieved at a certain cost, while avoiding certain unacceptable ways of getting that job done. Specifically, we elect colleagues to real estate boards to ensure our world is better and our business operates in a professional and ethical manner.

We expect the same of our governments. As individuals, why do we tend to scrutinize the way our governments

do things, rather than clearly state what we expect from them?

What matters to us as REALTORS® is brilliantly and simply stated in our Quality of Life principles. We want economic vitality, safe communities, educated children, a clean environment. BCREA meets with Members of the Legislative Assembly not to tell them how to do their jobs, but to share our beliefs and values: what's good for the province is good for real estate.

BCREA has moved away from a "government relations" role of lobbying on self-serving issues toward framing what matters to our clients. As REALTORS®, we assist people through huge transitions; as citizens, we help build our communities. Understanding that what we do contributes to society enhances our personal and professional lives.

Our provincial association builds on those roles, which reflect the Quality of Life principles, through its advocacy efforts. I strongly believe BCREA's advocacy program isn't about the government; it's about the public and the



President **Andrew Peck**

province, as a whole. That's why I think we're in the public affairs business—it gets to the heart of what it means to be a REALTOR®.



Andrew Peck
President

Board of Directors 2007-2008

Core Ideology

Core Purpose

Ensuring the continued relevance of REALTORS® in BC.

Core Values

- Member board vitality
- REALTOR® success
- REALTOR® professionalism
- Quality of Life
 - Economic viability
 - Housing opportunities
 - Environmental preservation
 - Property owner rights
 - Better communities
- Public trust

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Tax Burden High for Homebuyers

By Cameron Muir, BCREA Chief Economist



How would you like to pay your provincial income tax three times this year, just so you can buy a home? Unless you're a first-time buyer, that's exactly what's in store for you. BC's Property Transfer Tax (PTT) is payable on the purchase price of all real estate transactions in the province. The tax rate is 1 per cent of the first \$200,000 and 2 per cent on the remainder.

Government revenues from the PTT will approach \$1 billion this fiscal year. In the last five years, PTT revenues have doubled. High unit sales and rapidly rising prices have been a financial boon for the government's coffers. While overall government tax revenues increased at an annual compound rate of 4.2 per cent since the 1999/2000 fiscal year, PTT revenues ballooned at a rate of 21 per cent per year. During the same period, the contribution of the PTT to total tax revenue has increased from 1.8 per cent to 5.2 per cent, making

homebuyers an increasingly important—if not critical—source of revenue.

Much ballyhoo has been exerted promoting BC as having one of the most competitive personal tax regimes in the country. Indeed, the province has the lowest tax rate in Canada for a working couple earning \$40,000 apiece. The merits of higher or lower taxes will forever be a topic of public debate but, supposing lower taxes are better, BC is certainly on top of its game—or is it?

One of the stated benefits of low taxation is its pull factor, the propensity to draw migrants to the province in search of economic prosperity. Today, this is particularly important, given historically low unemployment rates and a workforce that's bound to have trouble keeping up with labour demand over the long term. In a nutshell, BC's competing with places like Alberta and Ontario for Canada's most valuable

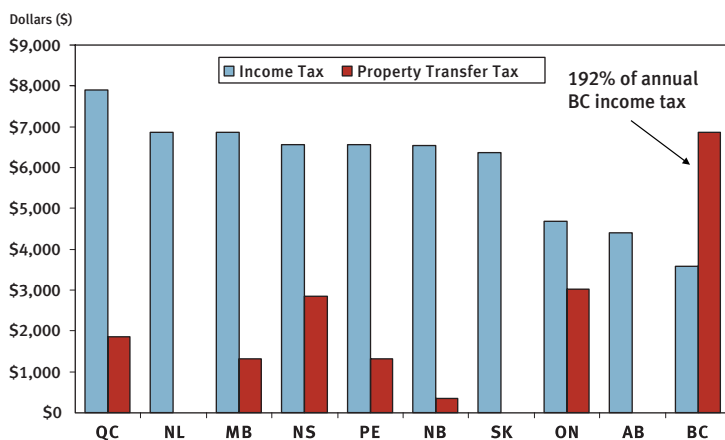
resource, its people.

So it shouldn't be a surprise that potential British Columbians assess both the advantages and the pitfalls of "the best place on earth." Alberta seems to have no trouble attracting eight times as many interprovincial migrants as BC's water, trees and mountains do. In fact, real estate sticker shock is commonplace for migrants arriving in BC's large cities. BC's nation-leading home prices certainly have the potential to sour the cream that is low personal tax rates.

And then there's the PTT. BC may have the most competitive personal tax regime in the country, but it also has the dubious distinction of the least competitive real estate transfer tax. In fact, if that couple earning \$40,000 apiece bought a home priced at the provincial average, their combined income tax and PTT would equal three income tax returns instead of one. Now, suppose they moved every five years, as many households do: their total combined tax burden would average 40 per cent higher each year than their personal income taxes alone. This scenario would make BC far less attractive from a tax perspective than either Alberta or Ontario.

If tax competitiveness is a real issue, it requires an understanding of the total tax burden on BC households.

Income and Transfer Tax Burden*



Source: CREA, BCREA Calculation

*Provincial basic personal income tax based on a couple earning \$40,000 each. Property Transfer Tax based on Q2 2007 average MLS® price.

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Printed on recycled paper.

ISSN: 1705-3307

Pre-Sale Precautions



In the wake of issues around the termination of pre-sale contracts by some developers, both the Superintendent of Real Estate and the Real Estate Council of BC, among other organizations, have recently published information to raise awareness among REALTORS® and consumers.

“Pre-sale contracts” involve units that are sold before construction is complete—in many cases, before construction even begins. The *Real Estate Development Marketing Act* requires that a Disclosure Statement be filed with the Office of the Superintendent of Real Estate before marketing begins.

The most recent example of a defaulting development was the termination of pre-sale contracts for 32 homes in the final phase of Riverbend, a 148-unit, strata-titled development in Coquitlam. Contracts were terminated due to construction delays and cost overruns.

What to watch for

On August 1, the Office of the Superintendent of Real Estate published an Information Bulletin summarizing points potential buyers should understand when considering pre-sale contracts, including:

- Proposed developments can be delayed for many reasons, and the market value of a unit may increase or decrease during that time
- If market prices have increased during a delay in construction, the developer may ask a buyer to pay a higher purchase price to extend the original contract or obtain a new contract
- Pre-sale contracts often contain potential termination dates, and prospective buyers should, with the assistance of a lawyer or REALTOR®, seek written extensions of their contracts before those termination dates arrive
- There may be restrictions on a buyer’s ability to assign their contract to another buyer before construction completes; in fact, some contracts don’t allow assignments at all
- The contract may allow a developer to substitute equivalent materials or change the layout of the unit or development

Moving forward

In September, the Superintendent’s office announced two new Policy Statements, which will require enhanced disclosure in the areas of the developer’s background and specific requirements for disclosure for the marketing of real estate not yet constructed.

In June, BCREA created the Task Force on Development Defaults, which is operating under the principle that

better educated practitioners will result in better educated consumers. This fall, the task force will continue its work to develop tools for REALTORS® to use when representing buyers in pre-sale situations.

**better educated
practitioners will result in
better educated consumers**

The task force includes representatives from the Superintendent’s office, Urban Development Institute – Pacific Region, Canadian Home Builders’ Association of BC and the Greater Vancouver, Fraser Valley and Victoria Real Estate Boards.

Available now

BCREA’s cpe course, *Representing Buyers in the Sale of New Homes and Condominiums*, covers essential tools for drafting enforceable contracts and advising buyers with a focus on the legal and consumer protection aspects of project marketing. Contact your local real estate board to ask about this course.

More information

- Financial Institutions Commission of BC website www.fic.gov.bc.ca (click Real Estate)
- Real Estate Council of BC, *Licensee Practice Manual, Real Estate Development Marketing Act*, beginning on page 212 (general information)

Sources: *Office of the Superintendent of Real Estate, Real Estate Council of BC, Fraser Valley Real Estate Board.*

Federal Legislation Could Impact Your Business

Two decisions made recently by the federal government will change the way REALTORS® do business. One could restrict who you can call for new business, even if that person is your neighbour; the second will require you to hire an individual to identify overseas clients, even though you could have known them personally for years.

Do Not Call list pending

In the works for several years, Canada's telecommunications regulator, the Canadian Radio-television and Telecommunications Commission (CRTC), finally released rules that will govern the operation of a Do Not Call list.

As the rules are currently drafted, the list could prohibit REALTORS® from contacting anyone registered, except clients with whom they already have existing business relationships. This is defined as clients you've helped buy or sell a home within the last 18 months, prospects or clients who've contacted you within the last six months or clients with whom you or your brokerage had a written contract with in the last 18 months, which may or may not have expired.

However, it's still unclear when the list will be up and running and whether the rules as currently outlined will remain. The CRTC is seeking a private operator to manage the list and is receiving feedback from sectors affected by the proposed legislation, including The Canadian Real Estate Association (CREA).

CREA has always supported the principle of curbing excessive telemarketing; however, it has also consistently voiced concerns about how the list would affect the business of real estate. CREA has requested exemptions for REALTORS® to contact referrals, ex-



pired listings, for sale by owners and previous clients beyond an 18-month time limit, because Canadians aren't in the habit of changing homes every one or two years.

New money laundering reporting requirements coming

Currently, to comply with the federal *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, a REALTOR® is required to report any suspicious transactions of \$10,000 or more to their broker, who in turn is required to report them to the Financial Transactions and Reports Analysis Centre (FINTRAC).

Brokers must also appoint a compliance officer and develop a staff compliance training program, develop reporting policies and procedures for their offices including proof that they're training their staff, and maintain records of all of the above. As well, brokers are asked to compare names of suspicious clients to those on a terrorist list maintained by the Office of the Superintendent of Financial Institutions Canada (www.osfi-bsif.gc.ca).

Effective June 23, 2008, tighter regulations will require a broker to "conduct a written self-assessment of their exposure to money laundering or terrorist financing activities" on an annual basis, and REALTORS® will have to report all "suspicious attempted transactions" and hire a third party or an "agent" to confirm the personal identification of overseas clients.

CREA has concerns and has asked the government to clarify several issues. In correspondence to the CREA Board of Directors, FINTRAC has confirmed the government will release guideline updates this winter and, as part of its communications strategy, plans to hold workshops in the spring for each sector affected by the new regulations, with specific sessions dedicated to real estate.

For real estate-specific information on money laundering, visit CREA's Money Laundering Compliance Centre, available from BCREA's homepage on REALTOR Link® (www.realtorlink.ca).

Source: The Canadian Real Estate Association. Published by CREA on REALTOR Link®, August 30, 2007.

Current as of September 18, 2007. Check with your local board office for last-minute changes. Look for a full list of cpe courses on BCREA's REALTOR Link® homepage, under Professional Development.

Note: this is a schedule of BCREA cpe courses only and does not reflect all PDP-accredited courses. Each course on this schedule is assigned 6 PDP credits.

BC Northern Real Estate Board

OCTOBER 15, PRINCE GEORGE, *What Brokerages and REALTORS® Need to Know About Agency*, Jim McCaughan

Chilliwack & District Real Estate Board

NOVEMBER 7, CHILLIWACK, *Selling Tenant-Occupied Properties (STOP)*, Evelyn McNulty

Fraser Valley Real Estate Board

OCTOBER 17, SURREY, *What Brokerages and REALTORS® Need to Know About Agency*, Jim McCaughan

NOVEMBER 2, SURREY, *What Brokerages and REALTORS® Need to Know About Agency*, Jim McCaughan

NOVEMBER 20, SURREY, *Ethics: Unlocking the REALTOR® Code*, Kim Spencer

NOVEMBER 22, SURREY, *CONDO 202: Advanced Strata Law for REALTORS®*, Mike Mangan

NOVEMBER 30, SURREY, *Know Your Product*, Will Graham

DECEMBER 5, SURREY, *What Brokerages and REALTORS® Need to Know About Agency*, Jim McCaughan

DECEMBER 7, SURREY, *Representing Buyers in the Sale of New Homes and Condominiums*, Gerry Halstrom

Kamloops & District Real Estate Association

OCTOBER 25, KAMLOOPS, *Foreclosures and Court Ordered Sales*, Jack Micner

NOVEMBER 22, KAMLOOPS, *Foreclosures and Court Ordered Sales*, Jack Micner

Kootenay Real Estate Board

OCTOBER 30, CRANBROOK, *Legal Update 2007*, Mike Mangan

OCTOBER 31, CASTLEGAR, *Legal Update 2007*, Mike Mangan

Okanagan Mainline Real Estate Board

NOVEMBER 5, SALMON ARM, *Buyer Agency*, Jim McCaughan

NOVEMBER 6, VERNON, *Buyer Agency*, Jim McCaughan

NOVEMBER 7, KELOWNA, *Buyer Agency*, Jim McCaughan

Real Estate Board of Greater Vancouver

OCTOBER 16, VANCOUVER, *Risk Management for REALTORS®*, Kim Spencer

OCTOBER 18, VANCOUVER, *Know Your Product*, Will Graham

OCTOBER 19, PITT MEADOWS, *CONDO 202: Advanced Strata Law for REALTORS®*, Adrienne Murray

OCTOBER 22, VANCOUVER, *What Brokerages and REALTORS® Need to Know About Agency*, Andrew Peck

OCTOBER 23, VANCOUVER, *Negotiating and Presenting Offers*, Richard Collins

OCTOBER 24, VANCOUVER, *Electronic Title Searching*, Catherine Greenall

OCTOBER 25, VANCOUVER, *Legal Update 2007*, Mike Mangan

OCTOBER 30, VANCOUVER, *Buyer Agency*, Jim McCaughan

NOVEMBER 16, PITT MEADOWS, *Negotiating and Presenting Offers*, Richard Collins

South Okanagan Real Estate Board

OCTOBER 19, PENTICTON, *Foreclosures and Court Ordered Sales*, Jack Micner

NOVEMBER 23, PENTICTON, *Buyer Agency*, Jim McCaughan

Vancouver Island Real Estate Board

NOVEMBER 2, NANAIMO, *What Brokerages and REALTORS® Need to Know About Agency*, Michael Ziegler

NOVEMBER 7, DUNCAN, *What Brokerages and REALTORS® Need to Know About Agency*, Michael Ziegler

Victoria Real Estate Board

OCTOBER 19, VICTORIA, *Selling Tenant-Occupied Properties (STOP)*, Evelyn McNulty

OCTOBER 26, VICTORIA, *What Brokerages and REALTORS® Need to Know About Agency*, Michael Ziegler

OCTOBER 31, VICTORIA, *Contracts: Keep on Top of Changes*, Mary Wright*

NOVEMBER 5, VICTORIA, *Representing Buyers in the Sale of New Homes and Condominiums*, Gerry Halstrom

NOVEMBER 8, VICTORIA, *CONDO 101: Strata Law for REALTORS®*, Mike Mangan

NOVEMBER 14, SALT SPRING ISLAND, *Contracts: Keep on Top of Changes*, Ray Blender*

NOVEMBER 29, SALT SPRING ISLAND, *Ethics: Unlocking the REALTOR® Code*, Ara Balabanian

DECEMBER 3, VICTORIA, *Contracts: Keep on Top of Changes*, Ray Blender*

DECEMBER 7, VICTORIA, *What Brokerages and REALTORS® Need to Know About Agency*, Michael Ziegler

*Note: On October 11, the BCREA Education Committee will consider accrediting this course for 6 PDP credits.