MLA Key Messages

Questions and Answers

Bill 28, Miscellaneous Statutes (Housing Priority Initiatives) Amendment Act, 2016

General:

- As a government, we recognize home ownership can be challenging in B.C., particularly in Vancouver.
- Budget 2016 introduced a number of measures designed to stimulate supply of new housing, assist purchasers, invest in affordable housing and improve our understanding of what drives growth in B.C.'s real estate market.
- Today, the Province is taking further steps to help keep the dream of home ownership within reach of middle-class families, and ensure that those who are in a position to rent are able to find a suitable home.
- This bill creates new measures to help make home ownership more affordable, establishes a fund for market housing and rental initiatives, strengthens consumer protection, and gives the City of Vancouver the tools it requested to increase rental property supply.
- These are complex issues that will require a number of different solutions. There will be more to come in the weeks and months ahead.

Additional Property Transfer Tax

- An additional property transfer tax rate of 15% will apply to purchasers of residential real estate who are foreign nationals or foreign-controlled corporations.
- The additional tax will take effect Aug. 2, 2016, and will apply to foreign entities registering their purchase of residential property in the Greater Vancouver Regional District, excluding the treaty lands of the Tsawwassen First Nation.
- This tax will help manage ongoing demand in residential real estate while the housing market responds by building new homes to meet local needs.
- Placing barriers to the foreign investment in the GVRD real estate can help manage rising prices while supply catches up.

1. What is this new tax?

The additional property transfer tax applies to residential property when the title is transferred to a foreign national, a taxable trustee and certain corporations. The amount of the tax is 15% of the fair market value of the residential property.

The tax applies if the residential property is in the GVRD and is payable at the time of registration at a land title office. The tax is effective August 2, 2016.

2. How will you enforce the tax?

Property transfer tax audit measures are already in place and will be extended to encompass the additional tax to ensure it is paid by those who are required to do so under the legislation. Additional auditors will be required and the process is already underway to begin recruitment.

The Act already contains extensive audit and investigation powers and we have extended the limitation period for audit and enforcement of this additional tax to six years while the limitation period for the regular tax is one year.

3. How much revenue do you expect to raise?

It's too soon to judge how the market will respond. We expect some transactions will proceed, paying the tax. Some portion of transactions will be deterred. The data we're collecting will allow us to monitor this and assess the effect of the tax.

4. Will tax revenues be earmarked for government housing programs?

The government is creating a new Housing Priority Initiatives Fund for provincial housing and rental programs, which will be announced in the near future. The fund will receive an initial investment of $75 million. It will receive a portion of revenues from the property transfer tax, including all revenues from the new additional tax on foreign buyers.

4. Why only in the GVRD?

For now, the clearest need for this response is in GVRD. The Bill contains regulatory powers that would allow the government to apply the additional tax in other areas. We will continue to monitor the data we are collecting. If the evidence shows that a significant amount of foreign investment is being displaced to other regions, we are in a position to respond by making changes quickly.

5. What are we doing to ensure foreign nationals actually have to pay the tax?

Collecting the Social Insurance Number for any Canadian Citizen or Permanent Resident transferee is now mandatory on the PTT return and lawyers are being advised they must confirm the number for accuracy against other government issued identification such as a Canadian passport. The Province is introducing and will be enforcing stringent non-compliance penalties. In addition they will be monitoring businesses and individuals filing incomplete or incorrect general or additional PTT returns.

Processes are already in place to verify that a Social Insurance Number is valid. Invalid numbers or other discrepancies on a return will lead to further audit and investigation of the transaction.

6. **Do any other jurisdictions have similar taxes or impose restrictions on foreign ownership of property?**

United Kingdom:
Non-residents are now subject to capital gains taxation on gains when selling residential property in the UK. Non-domiciled residents who provide security for purchases with offshore assets will be considered to have repatriated those assets and pay income tax as applicable.
15-per-cent stamp duty on those using a company name to buy properties worth more than £500,000.

Singapore:
Increased buyer's stamp duties (PTT) on foreign, corporate, permanent residents, and citizens:
15% additional stamp duty on foreign and corporate purchasers. Was initially 10% but was increased after 10% did not have the desired effect. 5% additional stamp duty on permanent residents purchasing a first home. 10% on further purchases. 10% additional stamp duty on citizens purchasing their second and third homes.

Hong Kong:
A 5%-20% anti-speculation special stamp duty that is payable on property held for less than 24 months. Implemented a 15% additional Buyers Stamp Duty targeted at foreign investors and companies Measures to restrict mortgage lending to its residents. Strict loan to value ratios
Strict Mortgage Servicing Ratios. A 40% down payment requirement

Australia
Australia has both federal and state taxes for foreign purchasers. Australia also restricts foreign ownership of property. Foreign citizens or companies require approval from a Foreign Investment Review Board (FIRB) in order to buy residential real estate. The FIRB will accept applications where the non-resident intends to live in the residential property. The FIRB will reject applications on the following grounds: They feel the purchase is speculative in nature. They feel the purchase is for rental purposes. The exceptions to these criteria are newly built residential properties sold by developers and tourist resort properties.

New York
New York levies a mansion tax of 1% of the purchase price, if the purchase price is over $1 million.

Ontario:
1974 Ontario Measures
Ontario implemented two measures aimed at curbing house price inflation in the 1970s. A 20% transfer tax on non-residents of Canada (similar to our PTT). An income tax on land speculation aimed at short term speculators (flippers). The taxes were enacted in 1974 and repealed by 1978. The 20% rate for non-residents remained for the acquisition of certain land (farmland) until 1997.

China
To help boost a slowing economy, China recently relaxed rules on foreign ownership. Restrictions on foreign ownership were put in place in 2006, in an effort to prevent speculation and cool an overheated market that was pricing Chinese citizens out of major markets.
Foreign individuals and companies are now allowed to buy as many properties as they wish, but are still subject to local housing purchase limits.
Previously, foreign residents were allowed to buy only one property on the mainland once they had worked in China for a year.

Korea
There are no special requirements for land or property purchase by foreigners in Korea. However, the registration process is slightly different for foreigners purchasing property in Korea.

Housing Priority Initiatives Fund

- The Province is investing $75 million into a new Housing Priority Initiatives Fund for provincial housing and rental programs, which will be announced in the near future.
- The fund can receive a portion of revenues from the property transfer tax.

7. What is the Housing Priority Initiatives Fund?

The Housing Priority Initiatives Fund is a new strategic and flexible central fund to implement priority initiatives related to supply of housing, rental housing, or other shelter, and access and support programs and initiatives.

8. What can the money be spent on?

The proposed special account has a broad authority to fund a range of housing, rental, or shelter programs, initiatives and activities. This means government can not only augment existing programs like BC Housing's emergency shelter and social housing initiatives or rental assistance for low-income families and seniors, but can potentially fund new and innovative housing initiatives in the future (e.g. increasing supply of affordable or rental housing or supporting homeownership).

Vacancy Tax

- Vancouver's city council feels that a record-low vacancy rate of 0.6% puts upward pressure on housing stock and contributes to unprecedented affordability issues.
- We are proposing amendments to the Vancouver Charter to enable the City of Vancouver to implement a stand-alone tax on vacant residential properties.
- The legislation enables, but does not require, Vancouver to impose a vacancy tax and sets out key elements of the tax, but does not prescribe the design details.
- The City of Vancouver would be responsible for administration, implementation, collection and enforcement of the tax.

9. Why are you making these changes?

The Province is enabling Vancouver to implement a tax on vacant residential property in response to Vancouver's request. Vancouver has been seeking additional tools in an effort to increase the supply of rental units on the market while waiting for some of Vancouver's pending housing projects to be available. The vacancy rate in Vancouver is currently 0.6% and unused housing supply can put upward pressure on accommodation costs.

10. What is the goal of a vacancy tax?

Once implemented by Vancouver, the intent of a vacancy tax would be to encourage owners of vacant properties to add those properties to Vancouver's rental housing inventory rather than pay the tax. In addition, the legislation would ensure that the revenues received under this vacancy tax could only be used by Vancouver in relation to affordable housing initiatives and administration of the tax.

11. Is vacancy a problem in Vancouver?

A study conducted by Vancouver in 2016 indicates that Vancouver has close to 11,000 empty housing units (Vancouver estimates there are approximately 177,000 residential properties in total).

12. Why is the Province allowing Vancouver to design and implement the tax?

It is important to Vancouver that it has clear, statutory authority to impose a vacancy tax if it decides to proceed with such a tax. Whether to impose such a tax is ultimately Vancouver's decision.

While the legislation will set out key elements of the tax, the design details, implementation, administration and collection of the tax will be determined by Vancouver and imposed by municipal bylaw. Vancouver has the best ability to understand its needs and its residents and what properties and property owners should be covered by the vacancy tax.

13. **What about other Lower Mainland communities struggling with housing affordability and availability? Or what about in other areas of the Province, like Victoria? Will they be able to implement a similar tax?**

Addressing the issue of housing affordability is a priority for the Province. Vancouver is being empowered to design and implement a novel tax, unprecedented in Canada. On that basis, it would make sense for other communities to have the opportunity to learn from Vancouver's approach, including issues with implementation and whether the tax has the desired effect.

After that, if there is general interest from other municipalities, legislative change could be discussed further.

Consumer Protection

- The Independent Advisory Group (IAG) established by the Real Estate Council of B.C. released its report into regulation of the real estate industry on June 28, 2016.
- The report presented a comprehensive examination of real estate practices and raised important questions about the effectiveness of the existing regulatory framework for the industry.
- The amendments that are proposed to the Real Estate Services Act are intended to restore consumer confidence by increasing transparency and fairness in the real estate sector.
- These changes will help protect British Columbians when they are making the one of the largest investments of their lives – purchasing a home.
- The Province is ending self-regulation of the real estate industry and substantially implementing the key recommendations of the Independent Advisory Group's report.
- The amendments also significantly increase the Superintendent of Real Estate's authority and oversight.

14. **Do these amendments implement the IAG recommendations?**

Most of the amendments that require legislation have been implemented: Penalties have been increased as recommended; and the superintendent's oversight powers are greatly enhanced. The legislation also clarifies that the Superintendent has the power to make rules to effect many of the other recommendations.

15. What is happening with the other recommendations of the IAG?

Government has established an implementation team that is working swiftly to end self-regulation and implement the recommendations, including the additional powers the Superintendent will receive. The team includes senior staff from the current office of the Superintendent of Real Estate, the Real Estate Council and the Ministry of Finance. When the new Superintendent of Real Estate is hired, s/he will assume leadership of the implementation team.

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17. When to the amendments come into force?

The amendments will come into force by regulation, which we anticipate will be relatively soon.

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Questions and Answers
Housing Bill
July 24, 2016 – 5:30am

Additional Property Transfer Tax – Rules/Technical

1. **What is this new tax?**
   The additional property transfer tax applies to residential property when the title is transferred to a foreign national, a taxable trustee and certain corporations. The amount of the additional tax is 15% of the fair market value of the residential property.

   The tax applies if the residential property is in the Greater Vancouver Regional District (GVRD – Metro Vancouver) and is payable at the time of registration at a land title office. The tax is effective August 2, 2016.

   How does the additional tax work?
   The additional tax applies in addition to the current Property Transfer Tax. For example, if a foreign entity buys a residential property in Metro Vancouver with a fair market value of $2.5 million, the following tax would apply:

   Property Transfer Tax: $53,000 (including $15,000 from the new 3% rate)
   Additional Property Transfer Tax: $375,000
   <u>Total: $428,000</u>

2. **In which situations would a trustee be liable for the additional tax?**
   A trustee would be liable if the trustee is a foreign entity, or if a beneficiary of the trust is a foreign entity.

3. **In which situations would a corporation be liable for the additional tax?**
   A corporation would be liable if it is not incorporated in Canada, or if the corporation is incorporated in Canada but is controlled by foreign entities.

4. **How will you enforce the tax considering the number of transactions each year? How many auditors would be needed?**
   Audit measures are already in place for the program and these will be extended to encompass the additional tax to ensure that it is paid by those who are required to do so under the legislation. Additional auditors will be required and the process is already underway to begin the recruitment.

   The Act already contains extensive audit and investigation powers and we have extended the limitation period for audit and enforcement of this additional tax to six years while the limitation period for the regular tax is one year.

5. **Doesn't this still leave a back door for foreigners to have citizen or permanent-resident proxies buy local property, thus avoiding the tax?**
No – Changes to the Property Transfer Tax form and new anti-avoidance rules will help catch transactions structured to avoid the tax in an audit.

Collecting the Social Insurance Number for any Canadian Citizen or Permanent Resident transferee is now mandatory on the PTT return and lawyers are being advised they must confirm the number for accuracy against other government issued identification such as a Canadian passport. The Province is introducing and will be enforcing stringent non-compliance penalties. In addition they will be monitoring businesses and individuals filing incomplete or incorrect general or additional PTT returns.

Processes are already in place to verify that a Social Insurance Number is valid. Invalid numbers or other discrepancies on a return will lead to further audit and investigation of the transaction.

All property transfer transactions are subject to audit and all additional property transfer tax returns will be reviewed and verified. The audit period is six years from the date the transfer is registered at the Land Title Office.

Anti-avoidance provisions exist and will be enforced to ensure all foreign entities report and pay the additional tax as required, including examining circumstances where Canadians hold property in trust for a foreign entity or are trustees where a beneficiary may be a foreign entity.

Failure to pay the additional tax as required or purposely completing the general or additional property transfer tax return with incorrect or misleading information may result in a penalty of the unpaid tax plus interest and a fine of $200,000 for corporations or $100,000 for individuals and/or up to two years in prison.

The penalty provisions encompass not just the transferees but anyone who participates in providing incorrect information to avoid the tax.

Property transfers will be monitored for compliance and the province will follow up with those businesses or individuals filing incomplete or incorrect general or additional property transfer tax returns.

6. **Can a foreign buyer register a numbered company to avoid paying the tax?**
No. If a numbered company is foreign controlled, it is taxable. As well, our anti-avoidance rule is broad enough to catch the transaction even if the numbered company was domestically controlled at the time of the real estate transaction but changed to foreign controlled after the real estate transaction.

7. **Who is liable to pay the tax?**
All transferees are jointly and severally liable to pay property transfer tax under the existing Act and the additional tax. If one transferee does not pay the required additional tax, the other transferees, including Canadians, must pay that transferee's share of the additional tax payable.

The additional tax applies on the foreign entity's proportionate share of any applicable residential property transfer, even when the transaction may normally be exempt from property transfer tax. This includes such transactions as:

- a transfer between related individuals
- a transfer resulting from an amalgamation
- a transfer to a surviving joint tenant
- a transfer where the transferee is or becomes a trustee in relation to the property, even if the trust does not change

8. **What about a transfer of a bare trust – would that allow the tax to be avoided? Now all the foreign money will simply go into bare trust properties rather than market properties. Is there any way to address that?**
The amendments are structured to look through Canadian trustees to beneficiaries of the trust as an anti-avoidance mechanism. A transferee who would otherwise be taxable cannot hide behind a local trustee. The bill includes provisions to tax a transaction where there is a foreign beneficiary of a trust. If the trustee is foreign, the transaction is taxable even if the beneficiaries are not.

9. **You said before there's no incentive to lie on PTT forms –** s.13 **How will you be sure people are honest on the form, when the penalties for falsifying the form are dwarfed by the potential tax liability?**
The penalties for providing false information with respect to the additional tax are severe. The fine is the amount of unpaid tax, plus interest, and an additional $200,000 for corporations and $100,000 for individuals. The maximum liability for imprisonment, two years, remains unchanged.

   We are also currently in the process of hiring additional auditors so that we have the resources in place for effective enforcement.

10. **Why do you need to look at beneficiaries of a trust?**
The look through Canadian trustees to beneficiaries of the trust is an anti-avoidance mechanism. A transferee who would otherwise be taxable cannot hide behind a local trustee. The bill includes provisions to tax a transaction where there is a foreign beneficiary of a trust. If the trustee is foreign, the transaction is taxable even if the beneficiaries are not.

11. **What about a foreign owner who already has a property in the GVRD (Metro Vancouver)?**
This tax will not affect foreign owners who already have property in the GVRD, except to the extent they wish to sell to foreign buyers or the tax has a cooling effect on the market, reducing the investment return to the owner.

12. **What if a foreign entity gets a Canadian to buy and hold residential property for them?**
The legal ownership would be with the Canadian, who would not normally be taxable. However under the new amendments if they are holding the land in trust for a foreign entity they become a taxable transferee and are responsible for the payment of the tax. Failure to pay the appropriate amount of tax and purposefully filling out the tax form in a misleading fashion could trigger penalties for both the foreigner and the Canadian.

13. **Do I need to claim an exemption or submit the special form if there is no foreign involvement in my purchase?**
No. Submitting the form for the additional tax is required only when there is at least one transferee who is a foreign entity or at least one trustee with beneficiaries who are foreign entities. No exemption is needed – without foreign involvement in the purchase, the additional tax does not apply.

14. **What if a Canadian from Toronto wants to buy a home in Vancouver?**
The buyer from Toronto will pay the general property transfer tax, but not the additional property transfer tax.

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16. **Do I need to pay additional tax when I register the property?**
Yes, if the transaction is subject to the additional tax, you must make payment for both the general and additional tax with your general return filed at the time of registration, and mail in the form for the additional tax on the same day.

The additional tax applies on all applicable transfers registered with the Land Title Office on or after August 2, 2016, regardless of when the contract of purchase and sale was entered into.

17. **How do I file if there is more than one taxable transferee on the transaction?**
Transferees must file a single return for the general tax, including payment for additional tax owed, and submit one form for the additional tax.

18. **Why can't I submit my additional tax form electronically?**
To implement the additional tax in a timely manner, we require a manual filing of the additional tax form for transferees of residential property in the GVRD who are subject to the tax. At some point next year we will combine the additional tax form with the electronic filing of the general tax.

Additional Property Transfer Tax – Revenue Questions

19. **How much revenue do you expect to raise?**
It's too soon to judge how the market will respond. We expect some transactions will proceed, paying the tax. Some portion of transactions will be deterred. The data we're collecting will allow us to monitor this and assess the effect of the tax.

See Appendix A at the end of this document for examples of the tax payable on transactions at different values.

20. **Will tax revenues be earmarked for government housing programs?**
No, the additional tax will not be earmarked to a specific purpose.

However, the government is investing $75 million to start a new Housing Priority Initiatives Fund for provincial housing and rental programs. Subject to approval by Treasury Board, the fund can receive a portion of revenues from the property transfer tax in the future.

21. **Will tax revenues be shared with municipalities in the GVRD?**
No. This is a provincial tax. Municipalities will benefit to the extent that the tax curbs undue demand pressure in the housing market.

The government is investing $75 million to start a new Housing Priority Initiatives Fund for provincial housing and rental programs. The fund can receive a portion of revenues from the property transfer tax in the future.

22. **What's the purpose of this tax – to block investment or raise revenues?**
The purpose of this tax is to help manage ongoing demand while the market responds by building new homes to meet local demand. By placing barriers to the foreign investment in the GVRD's real estate market, we can help manage rising prices while supply catches up.

Even though we are seeing much stronger housing starts since February of this year, it's clear the market and many local governments need more time to deliver enough housing starts to meet the current demand. This measure will help reduce foreign demand from that equation while new homes are being built for local residents. Not every foreign purchaser will necessarily be deterred by the tax.

To the extent that we generate revenue from the tax, the secondary purpose is to raise revenue to fund government priorities, which can include housing-related programs.

23. **Based on your June data, if the rate of foreign money doesn't slow down, you stand to reap almost $500 million per year – what will you do with the money? How will you spend it?**
We don't expect the pace of foreign transactions to continue at that pace once the additional tax is in place, but it's too soon to forecast what the effect will be. We will have a better idea in the Second Quarterly Report.

The revenues from this tax will be part of government's general revenues, like all tax revenues. The government is investing $75 million to start a new Housing Priority Initiatives Fund for provincial housing and rental programs. The fund can receive a portion of revenues from the property transfer tax in the future.

Additional Property Transfer Tax – Political

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27. Critics have said the issue should not be foreigners, but money that flows from overseas – why are you targeting foreigners?

We have seen from our data that more than $1 billion into B.C. property between June 10 and July 14, more than 86% of it in the Lower Mainland. That's a significant amount of money at a time of heavily constrained supply. Our focus has long been to find ways to increase the supply of new homes at affordable prices – for example the changes we made to the Property Transfer Tax in Budget 2016. But at the present pace of demand and rising prices, it's clear the market needs some help catching up.

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30. **You have consistently said you welcome foreign investment, isn't this tax a reversal of that position? How can you say: we welcome foreign investment, just not in this slice of our economy?**
We certainly do welcome foreign investment and we will continue to profile B.C. and attract business to our province. The purpose of this tax is to help manage ongoing demand in residential real estate while the market responds by building new homes to meet local needs. By placing barriers to the foreign investment in the GVRD's real estate market, we can help manage rising prices while supply catches up.

Additional Property Transfer Tax – Policy Choices

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We are monitoring the data closely and will determine if further action is necessary.

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33. **Critics say you should focus on using income tax data to see if purchasers are making appropriate contributions to local revenues, and then only adding surtaxes if they're not paying tax on worldwide income in BC. Why do you consistently reject that approach?**
We haven't rejected any approaches – we have consistently said we would act based on data and evaluate all options. These are complex issues that will require a number of different solutions.

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35. **Why only in the GVRD?**
For now, the clearest need for this response is in the GVRD. The Bill contains regulatory powers that would allow the government to prescribe other areas in which the additional tax would apply. We will continue to monitor the data we are collecting. If the evidence shows that a significant amount of foreign investment is being displaced to other regions, we are in a position to make changes quickly.

36. **Which communities are within the GVRD?**
    - Anmore
    - Belcarra
    - Bowen Island
    - Burnaby
    - Coquitlam
    - Delta
    - Electoral Area A
    - Langley City
    - Langley Township
    - Lions Bay
    - Maple Ridge
    - New Westminster
    - North Vancouver City
    - North Vancouver District
    - Pitt Meadows
    - Port Coquitlam
    - Port Moody
    - Richmond
    - Surrey
    - Tsawwassen
    - Vancouver
    - West Vancouver
    - White Rock

37. **Why 15%? What led you to pick that rate, how do you know it's not too high or too low?**
In fact we established a range between 10% and 20% that can be adjusted by regulation, and chose 15% as the starting rate. We will assess the effect of this rate in the months to come.

    The 15% rate significantly reduces an investor's return on investment, making investment in real estate less attractive to foreign investors.

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38. Why aren't you taxing satellite Canadians who do not pay income tax?

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in Canada in both the Income Tax Act and in our tax conventions with other countries that set out the division of where income tax is paid.

Even if someone is not liable to pay income tax in Canada, they will still be liable to pay consumption and property taxes if they purchase goods or own property here. This is one of the reasons the provincial tax system is comprised of a variety of taxes on income, consumption and property. These taxes, when taken together, are intended to help raise the revenue necessary to fund the wide range of programs and services that British Columbians rely on.

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There are many reasons why an individual may not pay income tax in a given year. For example, they may have earned income in the previous tax year or incurred business losses in the current tax year. An individual may have gone back to school, earning no income in the current tax year. A senior collecting their pension may live in a high-value home they have owned for decades. Or, an individual may have a spouse who earns a high income, but earn no income of their own.

39. Why aren't you cracking down on money laundering and tax evasion in B.C. real estate?

Monitoring the flow of money across borders and international tax are extremely complex subjects that are governed by the federal statutes such as the Proceeds of Crime (Money Laundering) and Terrorist Financing Act, the Income Tax Act and tax treaties.

Under the federal-provincial tax collection agreements, investigation of income tax evasion is the responsibility of the Canada Revenue Agency (the CRA). Streamlined administration simplifies the tax system and lowers administration costs for both government and individual taxpayers.

In addition to its own investigative powers, the CRA has access to information on cross border transfers of funds collected by FINTRAC. FINTRAC, the Financial Transactions and Reports Analysis Centre of Canada, is Canada's financial intelligence unit. FINTRAC's mandate is to facilitate the detection, prevention and deterrence of money laundering and the financing of terrorist activities.

That said, we support the Canada Revenue Agency in its efforts to identify cases of tax evasion in B.C. real estate. We share information to the extent possible under the information-sharing agreements we currently have in place with the federal government.

Minister de Jong discussed his concerns about issues related to tax evasion through real estate with Minister Morneau at the June meeting of Canada's finance ministers in Vancouver. These discussions led to the establishment of a federal-provincial-municipal working group comprised of senior officials from B.C., Ontario, the federal government and local governments. This group is meeting over the summer to identify strategies to strengthen information sharing among the various levels of government, in an effort to further prevent tax evasion in real estate.

Additional Property Transfer Tax – Market Effects

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44. You said you don't want to take steps that could harm the equity BCers have built up in their homes – how can you be sure this measure won't crash the market?

We are taking a cautious approach by applying the tax to the GVRD, where demand appears to be running strongest. We have the flexibility to adjust the tax rates within a range, and to apply or not apply the tax in different regions of the province as necessary.

45. **You're likely to get stories of people walking away from contracts – are you troubled by that possibility? What do you say to a BCer whose deal just collapsed because of your tax?**
Any time a new tax is implemented there is a period of market distortion, and if the tax is effective I expect some people will find themselves affected in this way. It's certainly a difficult personal circumstance for them. I would hope that the amount of disruption to individuals will be limited, and that new buyers can be found. At this point, there still appears to be very healthy local demand.

46. **What impact do you foresee on the prices of homes – will this slow the rise in prices, reverse it?**
The intent is to reduce upward pressure on residential prices and reduce the excessive competition in the market.

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By placing barriers to the foreign investment in the GVRD's real estate market, we can help manage rising prices while supply catches up.

Additional Property Transfer Tax – Trade/Legal Questions

47. **You're instituting an** s.13 **on people who can't vote – isn't this taxation without representation?**
No. This tax applies to foreign entities that make a choice to purchase residential property in the GVRD.

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52. **Do any other jurisdictions have similar taxes or impose restrictions on foreign ownership of property?**

- United Kingdom:
  - Non-residents are now subject to capital gains taxation on gains when selling residential property in the UK.
  - Non-domiciled residents who provide security for purchases with offshore assets will be considered to have repatriated those assets and pay income tax as applicable.
  - 15-per-cent stamp duty on those using a company name to buy properties worth more than £500,000.

- Singapore:
  - Increased buyer's stamp duties (PTT) on foreign, corporate, permanent residents, and citizens:
    - 15% additional stamp duty on foreign and corporate purchasers. Was initially 10% but was increased after 10% did not have the desired effect.
    - 5% additional stamp duty on permanent residents purchasing a first home. 10% on further purchases.
    - 10% additional stamp duty on citizens purchasing their second and third homes.

- Hong Kong:
  - A 5%-20% anti-speculation special stamp duty that is payable on property held for less than 24 months.
  - Implemented a 15% additional Buyers Stamp Duty targeted at foreign investors and companies Measures to restrict mortgage lending to its residents.
    - Strict loan to value ratios
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- Australia

  Australia has both federal and state taxes for foreign purchasers. Australia also restricts foreign ownership of property. Foreign citizens or companies require approval from a Foreign Investment Review Board (FIRB) in order to buy residential real estate. The FIRB will accept applications where the non-resident intends to live in the residential property. The FIRB will reject applications on the following grounds:

  - They feel the purchase is speculative in nature.
  - They feel the purchase is for rental purposes.

  The exceptions to these criteria are newly built residential properties sold by developers and tourist resort properties.

- New York

  New York levies a mansion tax of 1% of the purchase price, if the purchase price is over $1 million.

- 1974 Ontario Measures
  - Ontario implemented two measures aimed at curbing house price inflation in the 1970s.

- A 20% transfer tax on non-residents of Canada (similar to our PTT)
- An income tax on land speculation aimed at short term speculators (flippers)
- The taxes were enacted in 1974 and repealed by 1978.
- The 20% rate for non-residents remained for the acquisition of certain land (farmland) until 1997.

- China
  - To help boost a slowing economy, China recently relaxed rules on foreign ownership.
  - Restrictions on foreign ownership were put in place in 2006, in an effort to prevent speculation and cool an overheated market that was pricing Chinese citizens out of major markets.
  - Foreign individuals and companies are now allowed to buy as many properties as they wish, but are still subject to local housing purchase limits.
  - Previously, foreign residents were allowed to buy only one property on the mainland once they had worked in China for a year.

- Korea
  - There are no special requirements for land or property purchase by foreigners in Korea.
  - However, the registration process is slightly different for foreigners purchasing property in Korea.

Additional Property Transfer Tax – Detailed Technical

53. **Do I need to submit a form under 2.02(3) if I don't have any foreign transferees or transferees who are trustees of a trust with a foreign beneficiary?**
    You will only need to submit a form for additional tax for transfers of residential property in a prescribed area with a foreign transferee or when a foreign entity holds a beneficial interest in a trust.

54. **I am a foreign entity making a purchase of a business property that has a small amount of residential property associated with it. Do I need to pay the tax?**
    Yes, the foreign entity as defined in the tax must pay additional property transfer tax on the residential portion, but not on the business portion of the transaction.

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56. **What if there are Canadian beneficiaries as well as foreign entity beneficiaries in the trust.**
    The transferee of a trust is considered to fully be a foreign entity if at least one beneficiary is a foreign entity.

57. **I am not sure my property meets the definition of residential**

Refer to the most recent assessment notice from BC Assessment. Or, contact the Property Taxation Branch – property transfer tax enquiries – at: 250 387-0604, 1 888 355-2700 (Toll free), or pttenq@gov.bc.ca.

Housing Priority Initiatives

58. Why are these amendments being introduced?

These amendments are complementary to and necessary to support other proposed amendments to the Property Transfer Tax Act.

A new immediate, strategic and flexible central funding vehicle is needed to facilitate early implementation of priority initiatives related to supply of housing and rental housing, or other shelter, access and support programs and initiatives.

It is expected that Individual priority proposals that support Cabinet's direction will be brought forward by ministries for Treasury Board consideration. A new strategic and flexible funding vehicle, as proposed in the amendments, will assist Treasury Board in addressing those priority proposals within the Fiscal Plan and in recognition of current limitations within other existing authorities.

59. What do the amendments do?

The amendments establish the Housing Priority Initiatives special account, along with its operating rules and oversight. The Account's purpose is to provide a strategic central funding vehicle for priority initiatives related to supply of housing and rental housing, or other shelter, access and support programs and initiatives.

The amendments define inflows to the Account, which primarily include transfers of Property Transfer Tax authorized by Treasury Board. But inflows also include other things like collections of loans made through the Account, or sales/leases/rentals of properties invested in by the Account or though agencies funded by the Account.

The amendments provide for a wide range of purposed spending activities ranging from operating and grant expenditures; funding capital investments in land and housing/rental infrastructure; to funding loans and guarantees that support new or ongoing priority initiatives in respect of provincial housing and rental/shelter supply and access and support programs.

All spending must have the prior approval of Treasury Board.

60. How do you justify giving yourself the ability to spend taxpayer money without legislative scrutiny, oversight, debate and a vote? Isn't this just a way to bypass the budget and Estimates process? How is this transparent?

Like all legislation, the bill to establish this special account is being introduced in the Legislature for full and transparent debate and approval within a public forum.

The opportunity created by the other proposed amendments that this legislation is intended to support wasn't there when Budget 2016 was developed and passed.

That opportunity exists today with the requested passage of this package of legislation and as a consequence there is also an immediate need for a vehicle so the Province can utilize that opportunity to respond to priority initiatives related to supply of housing and rental housing, or other shelter, access and support programs and initiatives.

The special account will be under strict oversight of the Minister of Finance and Treasury Board. As part of the government's Consolidated Revenue Fund, going forward the new Account will be reported on through annual Budgets and Estimates, quarterly reports, service plans, and the annual Public Accounts.

Reporting on the proposed special account could come as early as the First Quarterly Report in September 2016. Government might also consider preparing a dedicated public report to outline spending out of the special account and the purposes for which the spending was provided. This, for example, could be part of a more comprehensive document about the Province's overall housing strategy.

61. What spending controls are there for this special account?

The Account will be under strict oversight of the Minister of Finance and Treasury Board. Not only must Treasury Board approve the amounts of Property Transfer Tax to be transferred to the Account, but prior Treasury Board approval is required before any payments can be made out of the Account and before loan guarantees are provided.

Individual priority proposals that support Cabinet's direction on housing will be brought forward by ministries for Treasury Board consideration. The proposed special account will assist Treasury Board in addressing those priority proposals in a flexible way within the Fiscal Plan and in recognition of current limitations within other existing authorities.

62. You're giving yourself statutory authority to spend Property Transfer Tax revenues – what are your spending plans?

The proposed special account has a broad authority to fund a range of housing, rental, or shelter programs, initiatives and activities. This means government can not only augment existing programs like BC Housing's emergency shelter and social housing initiatives or rental assistance for low-income families and seniors, but can potentially fund new and innovative housing initiatives in the future (e.g. increasing supply of affordable or rental housing or supporting homeownership).

While it is still early, individual priority proposals that support Cabinet's direction on housing will be brought forward by ministries for Treasury Board consideration. The proposed special account will assist Treasury Board in addressing those priority proposals in a flexible way within the Fiscal Plan and in recognition of current limitations within other existing authorities.

63. **What consultations have you done?**
While specific consultations have not taken place publicly or across the public sector in relation to the creation of the new special account, the underlying needs for which the special account is intended to help address are well understood and the Province has heard public concerns in a variety of consultation venues.

The Privacy and Legislation Branch (PLB) has been consulted and confirmed that consultation with the OIPC was not required. The legislative amendments do not contemplate or create new matters of personal information collection or use outside of the parameters covered by FOIPPA.

64. **What don't you simply use the Contingencies vote or bring in Supplementary Estimates to deal with the need for new spending authority this year?**
The opportunity created by the other proposed legislative amendments will likely be well in excess of what the Contingency vote can provide. As is the usual case, there are already a number of pressures in ministries that may require allocations from the Contingencies vote.

Supplementary Estimates are not practical at this time. It is still early and individual priority proposals that support Cabinet's direction on housing will be brought forward by ministries in an orderly way for Treasury Board consideration.

The proposed special account will assist Treasury Board in addressing those priority proposals in a flexible way within the Fiscal Plan and in recognition of current limitations within other existing authorities.

65. **Why would the special account need to make loans and guarantees? Won't this affect provincial debt?**
The new special account is intended to be self-funded so there should be no impact on provincial debt.

The proposed amendments define inflows to the Account, which primarily includes transfers of Property Transfer Tax authorized by Treasury Board. But inflows also include other things like collections of loans made through the Account, or sales/leases/rentals of properties invested in by the Account or though agencies funded by the Account.

The Account will be under strict oversight of the Minister of Finance and Treasury Board. Not only must Treasury Board approve the amounts of Property Transfer Tax to be transferred to the

Account, prior Treasury Board approval is required before any payments can be made out of the Account and before loan guarantees are provided.

Consumer Protection – Self-Regulation

66. How can you say self-regulation is ended?

Following the amendments industry will have NO formal role in the regulation of the real estate sector:

- All members on the Real Estate Council will be appointed by government;
- All rules will be made by the Superintendent, not Council.
- Council will continue to be responsible for daily operational matters (for example, qualification and discipline hearings). Industry will have no formal role on Council and therefore Council's responsibility in respect of discipline cannot be regarded as self-regulation by industry.

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Additionally, the Superintendent will have the ability to increase disciplinary activities of Council by:

- directing Council to investigate a particular matter;
- requiring Council to issue a notice of disciplinary hearing, thus beginning the disciplinary process; and
- requiring Council to provide the Superintendent with all information about an investigation or disciplinary process that will let the Superintendent decide whether to appeal the disciplinary outcome of a particular matter.

Consumer Protection – IAG Recommendations

68. Do these amendments implement the IAG recommendations?

Most of the amendments that require legislation have been implemented: Penalties have been increased as recommended; and the superintendent's oversight powers are greatly enhanced. The legislation also clarifies that the Superintendent has the power to make rules to effect many of the other recommendations.

69. Why do the amendments not implement all of the IAG recommendations?

Most of the IAG recommendations that relate to legislation are included in the amendments.

The exceptions are those that are currently outside the legislative scheme of the Real Estate Services Act and the recommendation to provide the council with the responsibility to investigate unlicensed activity.

The amendments provide the Superintendent with broad oversight of council, and go further than the IAG recommendations in transferring rule making authority from council to the superintendent and in replacing the industry-elected members on Council with members appointed by the government.

The superintendent's rule-making authority will allow it to implement the non-legislative IAG recommendations.

70. **Why do the amendments not implement the recommendation to provide council with the responsibility to investigate unlicensed activity?**
The amendments provide for increased oversight of council and for new disciplinary powers for council. Council needs to focus on improving its investigation and discipline of licensees before an increase in its regulatory responsibility can be contemplated.

71. **So who is responsible for unlicensed activity?**
The Superintendent of Real Estate.

72. **What is happening with the other recommendations of the IAG?**
Government has established an implementation team that is working swiftly to end self-regulation and implement the recommendations, including the additional powers the Superintendent will receive. The team includes senior staff from the current office of the Superintendent of Real Estate, the Real Estate Council and the Ministry of Finance. When the new Superintendent of Real Estate is hired, s/he will assume leadership of the implementation team.

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74. **Can you tell us the distinction between dual agency and double ending?**
Dual agency occurs when a licensee acts as agent to parties with opposing interests in a real estate transaction. For example, a licensee may be the real estate agent for both the seller of real estate and the buyer of real estate or a licensee may be acting for two different buyers bidding for the same real estate. The concern with dual agency is that the licensee cannot, in practice, fully act in the best interests of both parties if the interests of those parties are in conflict.

Double ending occurs when a licensee receives both the seller's and buyer's portion of the commission for a transaction. This most often occurs when a licensee is acting as a dual agent, but can also occur where a buyer is not represented by a licensee.

Dual agency and double ending may result in an unshared commission being received by a single licensee. However, under dual agency the licensee has the obligation to act as agent to both parties, even if the execution of this obligation is impractical.

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Consumer Protection – Superintendent

76. Will additional resources be available to the Superintendent?
Assessment of the resource requirements for the Superintendent's office is underway.

77. How many staff will the Superintendent have?
The Superintendent will have the necessary resources required to carry out its mandate. The number of staff is being determined.

78. How will the Superintendent's office be funded?
The Superintendent's office will continue to be funded through licence fees.

79. When will the Superintendent begin his or her role?
The Deputy Minister of Finance is in the process of hiring a Superintendent dedicated to Real Estate. This is a high priority within the Ministry and for the Deputy Minister of Finance. He or she will begin working as soon as possible.

Consumer Protection – Real Estate Council

80. Does the real estate council continue to exist?
Yes. The council will continue its role with respect to handling licensing and bringing disciplinary actions, but it will do so under the oversight of the superintendent of real estate. Council's ability to make rules that govern licensee conduct have been transferred to the Superintendent.

81. Who will be appointed to the Real Estate Council?
The Province's Board Resourcing and Development Office will follow its standard process for making recommendations about appointments to government. The overarching governing principles of this process are: merit-based selection; transparency; consistency; probity (appointees must be committed to the values of the public service); and proportionality (the process for selection will be appropriate for the nature of the post).

82. Will any industry members be appointed to the Real Estate Council?
Our priority is to minimize industry representation, but we recognize the value of experienced and practical voices on the council.

83. **What happens to the existing council members?**
Council members that were elected or appointed by council will cease to be council members once the amendments come into force. Council members that were appointed by the Lieutenant Governor in Council will continue to be council members.

84. **When to the amendments come into force?**
The amendments will come into force by regulation, which we anticipate will be relatively soon.

85. **What happens to council staff?**
The Council will continue to require the existing complement of staff to fulfill its revised mandate and may even require additional staff to fully meet its responsibilities.

86. **Does this mean the council (and related corporations) become part of the government reporting entity?**
It is likely that the Council will become part of the government reporting entity, as government will be appointing all council members and has control over the Council.

87. **Why are you keeping the two appointed members on Council?**
Two existing government appointees are being reappointed, as they are new to the board. They were appointed mid-2015, and typically appointees serve up to six years. The two council members who are being reappointed are well qualified and bring important skills and attributes to the board, and provide continuity.

    A number of important changes are anticipated that will bring new leadership and change to the regulator and the industry. Government is in the process of hiring a new Superintendent of Real Estate. In this context, some stability and continuity on the board is important.

88. **What will the role of Council staff be?**
Staff will continue to receive complaints, investigate potential contraventions, and support the new Council as it determines whether to issue a notice of hearing and conducts discipline hearings.

89. **Why does Council continue to be responsible for discipline?**
Council will continue to be responsible for discipline. As well, Council will have more penalty tools available to ensure licensees are properly deterred and punished for any misconduct.

    The Superintendent will have the ability to increase disciplinary activities of Council by:

    - directing Council to investigate a particular matter;
    - requiring Council to issue a notice of disciplinary hearing, thus beginning the disciplinary process; and
    - requiring Council to provide the Superintendent with all information about an investigation or disciplinary process that will let the Superintendent decide whether to appeal the disciplinary outcome of a particular matter.

Consumer Protection – Legislation

90. **What do these amendments do?**
These amendments effectively end the self-regulatory status of the real estate council by providing that all members of the council are to be appointed by the government, instead of having the majority of council members elected by industry.

91. **Why is the strata owner council position being removed? Wasn't this position independent?**
Council was provided the ability to appoint a strata owner to council to ensure the concerns of this constituency were represented. This was required to address the fact that council was largely comprised of elected real estate agents. As all council members will now be appointed, government will be able to ensure the composition of the board adequately reflects the interests and perspectives of all stakeholders.

92. **Why are disgorged commissions not returned to the consumer?**
The amendments provide that disgorged commissions, like discipline penalties, must be remitted to the council for the purposes of licensee and public education. The amendments allow for a regulation to be developed should it be considered effective and appropriate to allow for other uses of disgorged funds.

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However, this may be something that we look at in the future.

Consumer Protection – Operations

94. **What progress has been made in developing the implementation plan?**
Once the new Superintendent is in place, he or she will begin to develop the implementation plan that flows out of the legislative changes, and put into action any operational changes necessary.

Work is already underway to consider what the staffing and resourcing requirements Council will have.

95. **Who will handle complaints and discipline?**
Council will continue to be responsible for daily operational matters (for example, qualification and discipline hearings).

Additionally, the Superintendent will have the ability to increase disciplinary activities of Council by:

- directing Council to investigate a particular matter;
- requiring Council to issue a notice of disciplinary hearing, thus beginning the disciplinary process; and

* requiring Council to provide the Superintendent with all information about an investigation or disciplinary process that will let the Superintendent decide whether to appeal the disciplinary outcome of a particular matter.

96. Who will handle unlicensed activity?
The superintendent will continue to be responsible for unlicensed activity. The amendments generally give less power to council, and expanding council's role per the IAG recommendations is contrary to the direction of the amendments.

97. What happens to the existing rules?
The existing rules will be deemed to be the rules of the superintendent, and will continue to remain in force.

98. Which IAG recommendations are not addressed by the amendments?
The amendments do not implement any IAG recommendations that can be implemented by rules or that are operational in nature. Also, recommendations involving unlicensed activity (extending shadow flipping regulation to all real estate contracts, for sale by owner regulation), including the recommendation to transfer oversight of unlicensed activity to council are not provided for in the amendments.

99. Who will have power to make bylaws?
The council will retain the power to make bylaws. However, the superintendent is provided with new powers to direct council to make, amend, or repeal a bylaw.

Consumer Protection – General

100. What other Canadian jurisdictions have self-regulation of the real estate industry?
Self-regulation of real estate exists in Alberta, Saskatchewan, Ontario, Quebec, and Nova Scotia. In these provinces, provincial law and regulation establish real estate councils to license real estate professionals and to create and administer the rules agents must follow.

In the territories and the four provinces without real estate councils, provincial governments directly license agents and regulate the profession.

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Vacancy Tax

102. What is the purpose of this legislation?

- The Province is enabling Vancouver to implement a stand-alone tax on vacant residential property. The Province is acting in response to Vancouver's request. Vancouver has been seeking additional tools in an effort to increase the supply of rental units on the market while waiting for some of Vancouver's pending housing projects to be available. The vacancy rate in Vancouver is currently 0.6% and unused housing supply can put upward pressure on accommodation costs.

- Once implemented by Vancouver, the intent of a vacancy tax would be to encourage owners of vacant properties to add those properties to Vancouver's rental housing inventory rather than pay the tax. In addition, the legislation would ensure that the revenues received under this vacancy tax could only be used by Vancouver in relation to affordable housing initiatives and administration of the tax.

103. What is the scale of the vacant property problem in Vancouver?

- The intent of the tax is to increase the rental housing stock on the market; a study conducted by Vancouver in 2016 indicates that Vancouver has close to 11,000 empty housing units (Vancouver estimates there are approximately 177,000 residential properties in total).

104. Why is the Province allowing Vancouver to design and implement the tax?

- It is important to Vancouver that it has clear, statutory authority to impose a vacancy tax if it decides to proceed with such a tax. Whether to impose such a tax is ultimately Vancouver's decision.

- While the legislation will set out key elements of the tax, the design details, implementation, administration and collection of the tax will be determined by Vancouver and imposed by municipal bylaw. Vancouver has the best ability to understand its needs and its residents and what properties and property owners should be covered by the vacancy tax.

105. What about other Lower Mainland communities struggling with housing affordability and availability? Or what about in other areas of the Province, like Victoria? Will they be able to implement a similar tax?

- Addressing the issue of housing affordability is a priority for the Province. Vancouver is being empowered to design and implement a novel tax, unprecedented in Canada. On that basis, it would make sense for other communities to first be in a position to learn from Vancouver's approach, including issues with implementation and whether the tax has the desired effect.

- After that, if there is general interest from other municipalities, legislative change could be discussed further.

106. How will you know if there is interest in other places? Do other municipalities just get to ask for this authority, like Vancouver?

- The usual process for seeking amendments to the *Community Charter* or other core legislation that applies to local governments throughout B.C. is through the Union of BC Municipalities (UBCM), which represents all local governments. Through its annual resolutions process, UBCM members debate, vote on and adopt resolutions on a variety of issues, including ones seeking legislative change. The Province responds annually to those resolutions.

107. How will the public know if the tax if effective? Does Vancouver have to account for the use of the revenues collected from this tax?

- Vancouver is required to provide an annual report on the vacancy tax that must include the amount raised and how it was used; and ensure that the report is publicly available. Vancouver's use of revenue generated from the vacancy tax is limited to the purposes of initiatives respecting affordable housing; and paying the costs of administration of the tax.

108. What else is the Province doing to support affordable housing?

- In Budget 2016, the Province increased the property transfer tax rate to 3% on the value of homes above $2 million, and invested that money in the Newly Built Home exemption, which can save buyers up to $13,000 on the purchase of new housing valued up to $750,000. This measure aims to stimulate greater housing supply in the market at an affordable price.

- The Province is also investing $355 million over the next five years to support the construction or renovation of more than 2,000 units of affordable housing. In addition, the Province has also started collecting citizenship information from buyers when they register properties to help us understand the extent that foreign capital is driving the housing market.

- And as my colleague Minister de Jong has mentioned, the Province will also be introducing legislation to support consumer protection by ending self-regulation of the real estate industry.

109. What are other jurisdictions doing?

- This would be a unique taxation authority in Canada.

- Research has only found two worldwide examples of a vacancy tax imposed locally for the purpose of addressing housing affordability (i.e., some boroughs in Greater London, England such as Camden impose a 50% vacancy premium on their equivalent of municipal property taxes for properties empty for set periods over the prior two years; France imposes such a tax for municipalities over 200,000 population, at a rate of roughly 10% of annual rental value).

- While the tax itself would be unprecedented in Canada, it is expected to generate interest in some other B.C. local governments seeking revenue tools to address the same issues and/or seeing it as a new tool to raise funds.

Vacancy Tax Legislation – General Questions

110. Why isn't the Province enabling a separate vacant residential property class under the *Assessment Act* for Vancouver? Wouldn't an assessment approach simplify things?

- A vacant residential property class or sub-class would be applied on a province-wide basis, as are all assessment provisions. The risks of such a broad application are currently unclear, and may lead to unintended consequences for municipalities and tax administrators. Therefore, it is more appropriate to enable Vancouver to impose a vacancy tax, and ensure that any revenues are used to support the administration of the program and fund affordable housing initiatives in Vancouver.

111. What properties is this targeting? What constitutes a "vacant" property?

- The legislation authorizes Vancouver to tax residential properties that are in Class 1 of the *Assessment Act* and meet the criteria to be set out in Vancouver's vacancy tax bylaw. Such residential properties may include single family dwellings, apartments, and condominiums, but not hotels and motels.

- The length of time and the circumstances that constitute "vacant property" will be defined by Vancouver by bylaw. As well, Vancouver will have broad authority to establish exemptions from the tax for properties that may be vacant but should not be taxed (e.g. estates in probate; properties awaiting a demolition permit). Given the variety of possible scenarios, how "vacant property" is defined can only be determined by Vancouver.

112. What will the tax rate be?

- The rate or amount of the tax will be determined by Vancouver, and may be different for different categories of residential properties, registered owners and/or vacant properties (also to be determined by Vancouver). Vancouver will also determine the basis for the tax rate – whether for example it is a percentage of the assessed value of the property or an amount per parcel.

113. When would this vacancy tax take effect?

- It is anticipated that it will take some time for Vancouver to design the tax, but the timing of implementation is up to Vancouver to decide.

114. **Will there be exemptions from the tax?**

- The legislation requires Vancouver to establish exemptions from the tax in their vacancy tax bylaw, as there will be many different situations to be accommodated. As Vancouver will be responsible for the details of the design of the tax, it will be up to Vancouver to determine what these exemptions will be.

115. **What if the owner only uses the property part-time or occasionally? What if the owner has an unrented suite or carriage house on an owner-occupied property?**

- As Vancouver will be responsible for the details of the design of the tax and the definition of "vacant property", it will be up to Vancouver to determine whether any of these properties would be subject to the tax.

116. **What if a strata corporation does not allow or limits rentals? Will Vancouver have the authority to require strata corporations to permit rentals?**

- If a strata corporation allows only limited rentals or prohibits rentals, this legislation will not require the strata corporation to revisit their policies in this regard.

Vacancy Tax – Collection and Enforcement of the Tax

117. **What happens if the owner doesn't pay the tax? What are the collection and enforcement remedies?**

- Vancouver will have the authority to establish penalties and interest for non-payment and late payment of the tax. Ultimately, the legislation authorizes Vancouver to choose to apply the full range of remedies available for collection and enforcement of property value taxes under the *Vancouver Charter* to also enforce the vacancy tax.

- That means that properties could be required to be put to tax sale where taxes are delinquent for two years.

118. **How can property owners appeal/complain if they disagree with Vancouver's determination of their property status?**

- One of the required elements of a vacancy tax bylaw is for Vancouver to establish a process for hearing and determining complaints, including providing for a review process for determination of complaints. As Vancouver further develops its design of the tax and process for its administration/collection, the Province is happy to discuss any issues that may arise or need to consider potential future amendments to ensure the fairness of such a review process.

Vacancy Tax – Data/Collection of Information

119. How will Vancouver identify vacant properties? Are property owners required to provide this information?

- The legislation enables a declaration framework; Vancouver may require information from property owners regarding the status of their residential property and seek verifying evidence from them as to whether it is vacant or occupied. Failure to provide required information could have various consequences, including fines, and most significantly that the property is considered to be vacant and taxable.

120. Can the information collected from property owners for the purpose of the vacancy tax be used for other purposes?

- Information collected from property owners is often personal information. Personal information gathered by Vancouver must be collected and used in accordance with the *Freedom of Information and Protection of Privacy Act* (FOIPPA) which has, as its starting point, that information may only be used for the purpose for which it is collected.

121. Does the legislation authorize Vancouver to access 3rd party-collected data, e.g. provincially held personal information?

- No. The legislation currently does not authorize Vancouver's access to or agreements around 3rd party-collected data (e.g. provincially-held personal information such as Home Owner Grant claims or Drivers Licence/BC ID information).

- This would require detailed consultations with the Office of the Information and Privacy Commissioner (OIPC). As Vancouver actually designs its tax and identifies specific data needed for specific purposes, there is an opportunity to undertake the necessary discussions and consider the potential for future data-related amendments.

122. Isn't data essential to Vancouver being able to design the details of this tax? Otherwise, how are they going to determine which properties should be taxed?

- The legislation enables a declaration framework; Vancouver may require information from property owners regarding the status of their residential property and seek verifying evidence from them as to whether it is vacant or occupied.

- As Vancouver actually designs the tax and identifies specific data needed for specific purposes, there is an opportunity to undertake the necessary discussion and consider the potential for future data-related amendments.

123. Why didn't you add the provision suggested by the Office of Information and Privacy Commissioner, to ensure that Vancouver could only use information and evidence collected from property owners for the purposes of the vacancy tax?

- Vancouver is already required to operate under the *Freedom of Information and Protection of Privacy Act* for any personal information it collects. Section 32 of that Act establishes the core rule that personal information may only be used for the purpose for which it was collected and, in limited circumstances, for a consistent purpose.

- Once Vancouver has undertaken more detailed design of the tax and how it will be administered, further discussion about issues related to information/data collection and sharing may be needed; that would be the best opportunity to discuss the suggested provision with Vancouver and with the Office of Information and Privacy Commissioner.

124. Can Vancouver enter residential property to verify if the property is vacant?

- The proposed legislation includes a limited power of entry for an authorized person onto a property (after reasonable steps) for the purpose of determining or verifying the status of the property for purposes of the vacancy tax. This authority is consistent with normal municipal authority to determine compliance with their bylaws.

- Additionally, the authorized person may only enter into a residential property (e.g., a private dwelling) if the individual occupying the property, if any, consents.

125. Why is there no warrant authority to enable Vancouver to enter into a building or dwelling?

- The creation of a warrant authority for the purposes of the vacancy tax raises complex constitutional issues and would require further legal consideration as well as consultation with the judiciary. As with the question of specific data needs, the Province is open to having further discussion on this issue with Vancouver as it actually designs the details of the tax, and consider the potential for future amendments if the need arises.

126. If the legislation doesn't provide for entry into property and it doesn't give Vancouver access to third party data, does this legislation actually give Vancouver the authority it needs to implement this tax?

- Yes. The legislation balances flexibility in the enabling framework for Vancouver's design of the tax scheme while providing enough certainty in the legislation for the tax to be legally valid. To uphold principles of fairness and equity in taxation, the legislation enables Vancouver to start broadly in identifying residential properties and then narrow down those subject to the tax through self-declaration.

- It gives Vancouver the authority to require information from property owners regarding the status of their residential property and seek verifying evidence from them as to whether it is vacant or occupied. It also provides consequences for not providing that information – most importantly, that the property can be considered vacant and subject to the vacancy tax.

- As Vancouver actually undertakes more detailed design of the tax and if it identifies specific data needed for specific purposes the Province is open to further discussion and considering the potential for future data-related amendments.

127. Why isn't the legislation enabling tax modelled on the approach suggested by UBC Sauder School of Business (Professor Joshua Gottlieb)?

- As I understand it, the model supported and proposed by the UBC Sauder School of business is a 2% property value tax based on assessed value of a property, which would then be negated on a sliding scale by application of an exemption based on income taxes paid by the registered property owner.

- While the starting point of such a tax would be the parcel of property, whether a registered owner of such property pays tax would be determined by an exemption based on income taxes paid by the registered owner. The Sauder School approach would be entirely dependent on Vancouver being able to access federal income tax information.

- The proposed legislation for the Vancouver Vacancy Tax provides Vancouver with the authority to impose a municipal tax in relation to <u>residential properties</u> that are vacant. The legislation, as proposed, does not authorize Vancouver's access to or entry into agreements around third party-collected data. This level of information/data access would require detailed determination of necessary personal information sources, authorization for information sharing and detailed consultations with the Office of the Information and Privacy Commissioner (OIPC) and in relation, to income tax information, consultations with the federal government.

- Vancouver had initially requested an assessment based (i.e., property tax) to impose on vacant properties and later raised the possibility of imposing a property based Business Tax. The authority contained in the proposed legislation/ Bill is consistent with municipal taxation authorities in BC and Canada and does not require data availability on the income of registered owners of subject properties, necessitating negotiation of income tax information sharing between Vancouver and the Province/Federal Government which, in turn, raises privacy concerns around use, sharing and custody of personal information.

128. Lower Mainland mayors have proposed an alternate approach where a tax would be imposed on a property and exempted where the property is used as a principal residence (non-resident tax). Wouldn't this be easier to administer and help avoid a patchwork approach to addressing the issue?

- There is no one right approach to increasing rental stock in Vancouver; every approach will have its pros and cons.
- We are supporting Vancouver in its request for a municipal tax on vacant property to address a historically low vacancy rate, which it considers to impact housing affordability. The purpose of

the tax is to provide an incentive for owners of empty homes to add them to the rental pool. This tax is intended to help address housing availability and affordability.

- My understanding of the non-resident tax proposed by some Lower Mainland mayors is that an owner would be levied an additional property tax for any property that is not a principal residence. This raises some questions about how this would assist in addressing the low vacancy rate, and whether it may have the effect of increasing rents for those units that are currently occupied. It is not at all clear that this type of tax would be easier to either design or administer, as it also raises legal and tax equity issues, and could certainly present some significant property conveyancing issues.

Appendix A: Examples of Tax Payable

Home value	Regular tax	Additional tax	Total	Total as a % of home value
$100,000	$1,000	$15,000	$16,000	16.0%
$200,000	$2,000	$30,000	$32,000	16.0%
$300,000	$4,000	$45,000	$49,000	16.3%
$400,000	$6,000	$60,000	$66,000	16.5%
$500,000	$8,000	$75,000	$83,000	16.6%
$600,000	$10,000	$90,000	$100,000	16.7%
$700,000	$12,000	$105,000	$117,000	16.7%
$800,000	$14,000	$120,000	$134,000	16.8%
$900,000	$16,000	$135,000	$151,000	16.8%
$1,000,000	$18,000	$150,000	$168,000	16.8%
$1,100,000	$20,000	$165,000	$185,000	16.8%
$1,200,000	$22,000	$180,000	$202,000	16.8%
$1,300,000	$24,000	$195,000	$219,000	16.8%
$1,400,000	$26,000	$210,000	$236,000	16.9%
$1,500,000	$28,000	$225,000	$253,000	16.9%
$1,600,000	$30,000	$240,000	$270,000	16.9%
$1,700,000	$32,000	$255,000	$287,000	16.9%
$1,800,000	$34,000	$270,000	$304,000	16.9%
$1,900,000	$36,000	$285,000	$321,000	16.9%
$2,000,000	$38,000	$300,000	$338,000	16.9%
$2,250,000	$45,500	$337,500	$383,000	17.0%
$2,500,000	$53,000	$375,000	$428,000	17.1%
$2,750,000	$60,500	$412,500	$473,000	17.2%
$3,000,000	$68,000	$450,000	$518,000	17.3%
$4,000,000	$98,000	$600,000	$698,000	17.5%
$5,000,000	$128,000	$750,000	$878,000	17.6%
$6,000,000	$158,000	$900,000	$1,058,000	17.6%
$7,000,000	$188,000	$1,050,000	$1,238,000	17.7%
$8,000,000	$218,000	$1,200,000	$1,418,000	17.7%
$9,000,000	$248,000	$1,350,000	$1,598,000	17.8%
$10,000,000	$278,000	$1,500,000	$1,778,000	17.8%

Page 41 to/à Page 63

Withheld pursuant to/removed as

s.12

Home value	Regular tax	Additional tax	Total	Total as a % of home value
$100,000	$1,000	$15,000	$16,000	16.0%
$200,000	$2,000	$30,000	$32,000	16.0%
$300,000	$4,000	$45,000	$49,000	16.3%
$400,000	$6,000	$60,000	$66,000	16.5%
$500,000	$8,000	$75,000	$83,000	16.6%
$600,000	$10,000	$90,000	$100,000	16.7%
$700,000	$12,000	$105,000	$117,000	16.7%
$800,000	$14,000	$120,000	$134,000	16.8%
$900,000	$16,000	$135,000	$151,000	16.8%
$1,000,000	$18,000	$150,000	$168,000	16.8%
$1,100,000	$20,000	$165,000	$185,000	16.8%
$1,200,000	$22,000	$180,000	$202,000	16.8%
$1,300,000	$24,000	$195,000	$219,000	16.8%
$1,400,000	$26,000	$210,000	$236,000	16.9%
$1,500,000	$28,000	$225,000	$253,000	16.9%
$1,600,000	$30,000	$240,000	$270,000	16.9%
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$9,000,000	$248,000	$1,350,000	$1,598,000	17.8%
$10,000,000	$278,000	$1,500,000	$1,778,000	17.8%

Menzies, Brian FIN:EX

From: Menzies, Brian FIN:EX
Sent: Friday, July 22, 2016 6:13 PM
To: Keirstead, Zoe FIN:EX
Subject: Fwd: NR_Housing Bill_18July16_DRAFT3
Attachments: NR_Housing Bill_18July16_DRAFT3.docx; ATT00001.htm

Brian Menzies, MA
Chief of Staff to
The Honourable Michael de Jong
Minister of Finance & House Leader
Government of British Columbia
Canada
Cell 250-882-0679

Begin forwarded message:

> **From:** "Edwardson, Jamie GCPE:EX" <Jamie.Edwardson@gov.bc.ca>
> **Date:** July 22, 2016 at 6:10:51 PM PDT
> **To:** "Menzies, Brian FIN:EX" <Brian.Menzies@gov.bc.ca>
> **Subject: NR_Housing Bill_18July16_DRAFT3**
>
> Updated, thanks.

BRITISH COLUMBIA

DRAFT NEWS RELEASE

For Immediate Release
[release number]
[DRAFT JULY 22 – 6pm]

Ministry of Finance

Bill takes action on foreign investment, consumer protection and vacancy

VICTORIA – Legislation introduced today creates new measures to help make home ownership more affordable, establishes a fund for market housing and rental initiatives, strengthens consumer protection, and gives the City of Vancouver the tools it requested to increase rental property supply.

Bill 28, Miscellaneous Statutes (Housing Priority Initiatives) Amendment Act, 2016, was introduced in the legislature today.

"We believe that owning a home should be accessible to middle-class families, and that those who are in a position to rent are able to find a suitable home," Premier Christy Clark said. "These changes are about helping making sure that British Columbians can continue to live, work and raise their families in our vibrant communities." [NOT APPROVED]

An additional property transfer tax rate of 15% will apply to purchasers of residential real estate who are foreign nationals or foreign-controlled corporations. The additional tax will take effect Aug. 2, 2016, and will apply to foreign entities registering their purchase of residential property in the Greater Vancouver Regional District, excluding the treaty lands of the Tsawwassen First Nation. For mixed-use property, the additional tax would apply on the residential component of the foreign interest in a property. For example, the additional tax on the purchase of a home valued at $2 million will amount to $300,000.

"The data we started collecting earlier this summer is showing that foreign nationals invested more than $1 billion into B.C. property between June 10 and July 14, more than 86% of it in the Lower Mainland," said Finance Minister Michael de Jong. "While investment from outside Canada is only one factor driving price increases, it is creating a significant source of pressure on a market struggling to build enough new homes to keep up. This additional tax on foreign purchases will help manage foreign demand while new homes are built to meet local needs."

Second, the government is investing $75 million into a new Housing Priority Initiatives Fund for provincial housing and rental programs, which will be announced in the near future. The fund can receive a portion of revenues from the property transfer tax.

Third, the Province is amending the Real Estate Services Act to end self-regulation of the real estate industry. Government has accepted all the recommendations in the report. The legislative amendments substantially implement the key recommendations. These changes will increase significantly the Superintendent of Real Estate's authority and oversight. The power to make the rules that apply to the conduct of licensees will rest with the new Superintendent of Real Estate instead of with Council. The new Superintendent will also have the authority to direct and oversee Council operations, including requiring Council to investigate a particular matter, issue a notice of a disciplinary hearing, and provide reports on the operations and activities of Council to the Superintendent. As well, the Chair, vice-Chair and all other members of the Council will be appointed by government.

"We need to ensure that when people are ready to make such an important investment, the proper protections and oversight are in place," said de Jong. "Consumers must be confident their interests are held above all else."

Fourth, amendments to the Vancouver Charter provide the legislative authority for the city to implement and administer a tax on vacant homes. The City of Vancouver will design the framework of the vacancy tax, including details like the tax rate, when it will apply and any necessary exemptions.

[APPROVED] "The issue of housing supply and affordability is impacting British Columbians and the livability of our Province, especially the Metro Vancouver region," said Minister Peter Fassbender. "The City of Vancouver has identified the need for a vacancy tax in order to meet rental supply issues. We are taking action by introducing legislation today that enables them to do this work."

The Province is working on additional measures to address the complex causes of rising housing prices in Metro Vancouver, as well as other regions of the province. This work focuses on ensuring the dream of home ownership remains within the reach of the middle class, increasing housing supply, smart transit expansion, supporting first-time home buyers, strengthening consumer protection, and increasing rental supply.

Media Contact:
Jamie Edwardson
Communications Director
Ministry of Finance
250 356-2821

BACKGROUNDER

Additional property transfer tax for foreign entities

Effective August 2, 2016, foreign nationals, taxable trustees and foreign-controlled corporations registering their purchase of residential property in the Greater Vancouver Regional District will pay an additional 15% tax on the residential component of the foreign interest in a property. The tax does not apply within the treaty lands of the Tsawwassen First Nation.

The additional tax presently only applies in the Greater Vancouver Regional District, but government can prescribe in regulation other areas where the additional tax would apply. The Province continues to monitor data on foreign investment and foreign ownership in B.C.'s real estate market.

Application

A trustee will be subject to the additional tax if the trustee is a foreign entity, or if at least one beneficiary of the trust is a foreign entity. Similarly, a corporation would be liable if it is not incorporated in Canada, or if the corporation is incorporated in Canada but is controlled by foreign entities.

The additional tax will only apply to the portion of a property's value that is for residential use. For example, if a foreign corporation purchases a mixed-use development that combines residential space with commercial space, the additional 15% tax will apply only to the portion of the property's value that is for residential use.

Enforcement

Audit measures already in place for the property transfer tax will be extended to encompass the additional tax. Additional auditors will be required and the process is underway to begin recruitment to ensure the additional tax is paid by those required to do so under the legislation.

The amendments extend the limitation period for audit and enforcement of the additional tax to six years. The existing limitation period for the regular tax is one year. The property transfer tax return form will be updated to require a Social Insurance Number from all transferees who are Canadian Citizens or permanent residents.

Avoidance Rules

The amendments include anti-avoidance rules designed to capture transactions that are specifically structured to avoid the tax. For example, a transferee who would otherwise be taxable cannot hide behind a local trustee. The legislation is structured to look through Canadian trustees to beneficiaries of the trust as an anti-avoidance mechanism. If the trustee is foreign, the transaction is taxable even if the beneficiaries are not foreign.

Increased Penalties

Fines payable as a result of offences with respect to the additional tax are the amount of unpaid tax, with interest, plus up to $200,000 for corporations and $100,000 for individuals. The maximum liability for imprisonment, two years, remains unchanged.

BACKGROUNDER 2

Strengthening consumer protection and restoring consumer confidence

The Independent Advisory Group established by the Real Estate Council of B.C. released its report into regulation of the real estate industry on June 28, 2016. The report presented a comprehensive examination of real estate practices and raised important questions about the effectiveness of the existing regulatory framework for the industry.

The report made 28 primary recommendations to enhance governance, oversight, transparency and accountability to consumers. The Province accepted the report's recommendations, and is taking the additional steps of ending self-regulation of the industry and dramatically increasing the Superintendent of Real Estate's oversight and authority.

The following amendments are proposed to the Real Estate Services Act in response to the recommendations of the Independent Advisory Group:

- Increase maximum disciplinary and administrative penalties (recommendation #16)
- Allow for disgorgement of the proceeds of misconduct from licensees and brokerages (recommendation #17)
- Require all members of Council to be appointed by government (expansion of recommendation #19)
- Significantly increase the Superintendent's oversight of Council (recommendation #21)
- Allow owners to train and supervise licensees only if owners are themselves licensees (response to recommendation #23)

The amendments provide the Superintendent of Real Estate with the exclusive rule-making powers that previously rested with the Real Estate Council.

The Superintendent of Real Estate has been given explicit authority in the following areas, to address the recommendations of the IAG:

- Establish a Code of Ethics (recommendation #1)
- Prohibit licensees from offering dual agency and require licensees to provide information to unrepresented parties (recommendation #2)
- Establish standards of conduct and business practices for licensees (response to recommendations #3, #4, #9, #11)
- Establish conditions and restrictions on a licensee acquiring an interest in trade (recommendation #7, #8)
- Strengthen requirements for managing brokers to have active and direct oversight over licensees (recommendation #22)
- Require licensees to keep records and report information to Council (recommendation #24)

The recommendations respecting authority over unlicensed activity, which remains with the Superintendent of Real Estate, and the extension of contract assignment rules to transactions not involving licensees require further analysis by government, the Superintendent and the Real Estate Council of B.C. (recommendations #6, #20).

Other recommendations do not require any additional authority and plans for their implementation are underway (recommendations #5, #10, #12, #13, #14, #15, #18, #25, #26, #27, #28).

Menzies, Brian FIN:EX

From:	Menzies, Brian FIN:EX
Sent:	Sunday, July 24, 2016 11:15 AM
To:	Snider, Marty C FIN:EX
Subject:	For Printing
Attachments:	NR_Housing Bill_18July16_DRAFT3.docx; ATT00001.htm

Subject: NR_Housing Bill_18July16_DRAFT3

Updated, thanks.

Menzies, Brian FIN:EX

From:	Menzies, Brian FIN:EX
Sent:	Sunday, July 24, 2016 9:33 PM
To:	Menzies, Brian FIN:EX
Subject:	NDP on Housing Key Quotes July242016 DRAFT
Attachments:	Horgan Newsletters on Housing.docx; NDP Flip Flops and Inconsistencies.docx; NDP Fundraising emails on Housing.docx; NDP News Releases on Housing.docx; Quebec Immigrant Program- Eby.docx; Timeline of Studies - Proposals - Bills.docx; NDP on Housing Key Quotes July242016 DRAFT.docx

Menzies, Brian FIN:EX

From:	Menzies, Brian FIN:EX
Sent:	Monday, July 25, 2016 11:51 AM
To:	'Chrystal, Neil'
Cc:	De Wit, Antoinette PREM:EX; Bowry, Sanjay FIN:EX
Subject:	RE: New Foreigners TAx

Thank You Neil, I will pass along to Minister de Jong and the Premier. I appreciate your candor.

Brian

From: Chrystal, Neil [mailto:nchrystal@polyhomes.com]
Sent: Monday, July 25, 2016 11:32 AM
To: Menzies, Brian FIN:EX
Subject: New Foreigners TAx

Brian,

Good morning Brian!

Neil Chrystal here from Polygon Homes. We met last week at the meeting we had with Minister de Jong and UDI.

I thought I would send you a quick note (personally, not as a member of UDI) to let you know how disappointed I am in the new tax on foreign buyers and I was hoping you might share my thoughts with Minister de Jong.

The new tax is wrong on two fronts;

1) The tax of 15% is excessive and a sure fire way to halt sales to foreign buyers in a market that was already slowing signs of fatigue and;
2) The fact that you did not provide a grandfathering provision for buyers of pre-sales homes is outrageous and sure to cause the new home industry a lot of issues moving forward.

While I was at first appreciative of the consultation meeting we had last week I feel that our industry has been somewhat blind-sided by the announcement of this new tax, given how extreme it is. I actually find it hard to believe that something so drastic wasn't discussed further with our industry and that our meeting was a bit of a waste of time, given that the policy was likely already determined.

I am sure that UDI will be consulting you with a formal industry position on the new tax but wanted to let you know how personally disappointed I am with the tax rate and rules applied to purchasers.

Anyhow, not meaning to dump on you but I am writing this email in a frustrated state of mind and your card happened to be sitting on my desk!

If you want to talk, I am happy to chat with you.

Regards,

Neil

POLYGON

polyhomes.com
900 - 1333 West Broadway,
Vancouver, BC V6H 4C2

Menzies, Brian FIN:EX

From:	Menzies, Brian FIN:EX
Sent:	Monday, July 25, 2016 2:14 PM
To:	Cadario, Michele PREM:EX
Cc:	Sweeney, Neil PREM:EX; Mentzelopoulos, Athana FIN:EX; Henderson, Kim N PREM:EX
Subject:	FW: New Foreigners TAx

Early response from UDI

From: Jon Stovell [mailto:jons@relianceproperties.ca]
Sent: Monday, July 25, 2016 2:00 PM
To: Chrystal, Neil
Cc: Menzies, Brian FIN:EX; Anne McMullin
Subject: Re: New Foreigners TAx

Thanks Niel.

Brian

UDI officially concurs with every aspect of Niel's letter below.

This is ill advised in the extreme and your governments failure to exempt pre-sales is a betrayal to our non residents willing to participate in good faith in our economy in what has been both a legal and arguably encouraged through other government policy.

Your consultations with industry as recently as last week when this was not even mentioned also have limited credibility at this point.

Kind regards.

Jon Stovell
UDI Chair.

Sent from my iPhone

On Jul 25, 2016, at 11:31 AM, Chrystal, Neil <nchrystal@polyhomes.com> wrote:

> Brian,
>
> Good morning Brian!
>
> Neil Chrystal here from Polygon Homes. We met last week at the meeting we had with Minister de Jong and UDI.
>
> I thought I would send you a quick note (personally, not as a member of UDI) to let you know how disappointed I am in the new tax on foreign buyers and I was hoping you might share my thoughts with Minister de Jong.

The new tax is wrong on two fronts;

1) The tax of 15% is excessive and a sure fire way to halt sales to foreign buyers in a market that was already slowing signs of fatigue and;
2) The fact that you did not provide a grandfathering provision for buyers of pre-sales homes is outrageous and sure to cause the new home industry a lot of issues moving forward.

While I was at first appreciative of the consultation meeting we had last week I feel that our industry has been somewhat blind-sided by the announcement of this new tax, given how extreme it is. I actually find it hard to believe that something so drastic wasn't discussed further with our industry and that our meeting was a bit of a waste of time, given that the policy was likely already determined.

I am sure that UDI will be consulting you with a formal industry position on the new tax but wanted to let you know how personally disappointed I am with the tax rate and rules applied to purchasers.

Anyhow, not meaning to dump on you but I am writing this email in a frustrated state of mind and your card happened to be sitting on my desk!

If you want to talk, I am happy to chat with you.

Regards,

Neil

POLYGON polyhomes.com
900 - 1333 West Broadway,
Vancouver, BC V6H 4C2

Menzies, Brian FIN:EX

From: Menzies, Brian FIN:EX
Sent: Tuesday, July 26, 2016 1:09 PM
To: Edwardson, Jamie GCPE:EX; Miniaci, Mario FIN:EX; Keirstead, Zoe FIN:EX
Subject: FW: Real estate contracts signed prior to August 2nd should be exempt from new 15% additional Property Transfer Tax

---

From: Gavin Duffus [mailto:GDuffus@udi.org]
Sent: Tuesday, July 26, 2016 12:59 PM
To: Gavin Duffus
Subject: Real estate contracts signed prior to August 2nd should be exempt from new 15% additional Property Transfer Tax

Real estate contracts signed prior to August 2nd should be exempt from new 15% additional Property Transfer Tax

Yesterday the Provincial Government announced of a large tax on foreign buyers of residential real estate. While we understand why the government has decided to take this approach, we do have concerns about unintended consequences.

The industry's main concerns with the tax are regarding pre-sale contracts that are currently in place. In the home building industry, deposits and contracts to purchase are agreed upon months and years in advance of the closing dates and land transfers. These contracts are based in good faith on full disclosure of costs and tax structures at that time. To unilaterally apply this new 15% tax will directly penalize those who purchased in pre-sales and will take possession thereafter.

Contracts that are signed prior to August 2nd should be honoured and grandfathered in by the government. We are urging the government to make this simple legislative amendment before implementing the additional PTT tax.

Note: UDI President & CEO Anne McMullin is available for interviews.
Media Contact: Communications Manager Gavin Duffus gduffus@udi.org or 604-661-3033

Menzies, Brian FIN:EX

From:	Menzies, Brian FIN:EX
Sent:	Tuesday, July 26, 2016 6:59 PM
To:	Keirstead, Zoe FIN:EX
Subject:	Fwd: sauder
Attachments:	bchaf_proposal.pdf; ATT00001.htm; 349871 - BN Sauder School Proposal.doc; ATT00002.htm

Please print for MdJ again

Brian Menzies, MA
Chief of Staff to
The Honourable Michael de Jong
Minister of Finance & House Leader
Government of British Columbia
Canada
Cell 250-882-0679

Begin forwarded message:

> **From:** "Edwardson, Jamie GCPE:EX" <Jamie.Edwardson@gov.bc.ca>
> **Date:** July 26, 2016 at 6:50:27 PM PDT
> **To:** "Chandler, Penelope E FIN:EX" <Penelope.Chandler@gov.bc.ca>, "Edwardson, Jamie GCPE:EX" <Jamie.Edwardson@gov.bc.ca>, "Keirstead, Zoe FIN:EX" <Zoe.Keirstead@gov.bc.ca>, "McLachlin, Jessica GCPE:EX" <Jessica.McLachlin@gov.bc.ca>, "Menzies, Brian FIN:EX" <Brian.Menzies@gov.bc.ca>, "Miniaci, Mario FIN:EX" <Mario.Miniaci@gov.bc.ca>, "Snider, Marty C FIN:EX" <Marty.Snider@gov.bc.ca>
> **Subject: sauder**
>
> This is the sauder school proposal that the opposition used for their counter proposal, together with tax policy's BN. He wanted to read them

Jamie Edwardson
Communications Director | Ministry of Finance | Province of British Columbia
P: (250) 356-2821 | M: (250) 888-0021 | jamie.edwardson@gov.bc.ca

POLICY PROPOSAL: B.C. HOUSING AFFORDABILITY FUND

Housing costs pose a significant challenge for Lower Mainland households. Among the factors contributing to price growth is the inflow of money into the local housing market. We propose a B.C. Housing Affordability Fund (BCHAF) that delivers cash to BC residents, paid for by property owners with limited residential or economic ties to B.C. The BCHAF will make British Columbia a better place to live and work, by making B.C. a less attractive target for investors who wish to avoid taxation or park cash in residential real estate.

Description and Precedent

The BCHAF will be funded by a new 1.5% property surcharge on residential real estate. The revenues will then be distributed as lump-sum payments to all Canadian tax filers in any area included. The tax would target owners of vacant properties and those with limited economic or social ties to Canada. All other owners will be exempt. The proposed BCHAF contribution structure would provide broader exemptions than those under the Home Owner's Grant, by allowing non-resident landlords and not-yet-landed immigrants with taxable Canadian earnings to claim exclusions.

Exemptions for Homeowners

Nearly all resident owner-occupiers should be exempt from the surcharge on one of the following bases:

- Veterans and disabled persons and those living with them would be exempt, as in the B.C. Home Owner's Grant.

- Canadian residents of retirement age would be exempt if they are recipients of Canada Pension Plan benefits or qualify for Old Age Security.

- Those who contribute to the local economy will have their BCHAF contributions reduced or eliminated. The BCHAF surcharge would be reduced dollar-for-dollar by Provincial and Federal income taxes paid by all members of the household. For example, the owners of a $1,000,000 home would face a $15,000 BCHAF contribution in a given tax year. If this household paid $15,000 or more in income taxes, they would not have to contribute to BCHAF. If they paid $10,000 in income taxes, they would owe at most $5,000 to BCHAF, if not otherwise exempt.[1]

- Those who have been part of the local economy for a long time would be exempt. Specifically, tax filers who have claimed their current homes as their principal residence for a significant number of years would be exempt. This would protect homeowners who are long-time residents of their communities, but would not be able to buy in at prevailing prices. The exemption could be a lifetime benefit so that households moving to a different home later in life would remain exempt.

Exemption for Rental Housing

To provide incentives for rental housing, and disincentives for leaving units vacant, non-occupant investors would only be able to claim exemptions for occupied rental units. Owners of rental properties should be allowed to offset BCHAF contributions based on the rental revenue they report to CRA. This could involve providing credits against the surcharge for gross rental revenue, or setting minimum gross rental revenue levels to claim complete exemption from the BCHAF charge. To accommodate periodic vacancies, landlords might be allowed to average across multiple years. To prevent fraud, exemptions should be denied for leases between family members.

Implementation

Which jurisdictions should impose an affordability surcharge is a political question. We recommend that the BCHAF be specific to a given locale, with jurisdictions choosing to join. By keeping the taxes paid in and the benefits granted specific to a given jurisdiction, BCHAF would provide the most help to those facing the strongest impacts of vacant units and capital

1 To further protect working homeowners, legislators may want to allow unused income tax credits to cover future years' contributions, and to offer couples where both partners earn moderate incomes a credit to reflect income tax progressivity. To further protect households, all taxes paid by all individuals claiming a tax home at a given address should be credited, whether the payer is on the title or not.

inflows on affordability.[2]

For any jurisdiction that participates in the BCHAF, revenues will be distributed as an equal lump-sum amount to all taxpayers in that jurisdiction. Eligibility for receiving the lump-sum payment will merely require filing the regular income tax and benefits return (T1) and being a resident of the jurisdiction.

Precedent

A total property tax rate of 2% is no higher than in many U.S. jurisdictions, and the BCHAF structure would retain rates under 0.5% currently faced by most households. The difficulty of building new housing units in the Lower Mainland suggests that the property tax share of revenues generated in B.C. should be relatively high, and the income tax burden lower. BCHAF would represent a small step in the direction of tax efficiency, without imposing higher obligations on the vast majority of B.C. taxpayers.

Economic Impacts

Estimated Benefit

BCHAF could provide considerable benefits to B.C. residents. Based solely on vacancy data, we estimate the surcharge could provide residents with roughly $90 million per year in Vancouver alone.[3] Revenues would likely be greater than this estimate, which is based only on vacant units, because there are likely owners of high end B.C. properties who would not qualify for any of the exemptions to the surcharge listed above. As politicians have emphasized, we lack the detailed data on income and taxes paid to make a precise forecast of potential revenue. An added benefit of the BCHAF program would be to obtain these data.

Financial Inflows and Vacancy

An additional effect of BCHAF could be an improvement in affordability by reducing the inflow of cash to residential real estate, thus reducing upward price pressure. We doubt that our proposal would have a detectable effect in this way. While a significant surcharge might discourage investment in B.C. housing, the number and composition of immigrants to Canada is largely determined by Federal immigration policy (though B.C. does have an increasingly important role through the Provincial Nominee Program). Given the excess demand for Canadian residency, we expect this proposal to have a limited effect on the inflow of capital with immigrants. Our expectation is that the primary benefit is to provide cash to ameliorate the negative effects of these capital flows on local residents.

Implementation of BCHAF would make participating jurisdictions less attractive to investors hoping to invest in real estate without paying taxes. In contrast, it would make B.C. a more attractive place to live and work. Critically, by raising the cost of holding a property vacant, BCHAF would also provide investors with an incentive to rent out currently vacant properties to B.C. residents.[4]

Conclusion

By taxing activities that make housing less affordable for current B.C. residents, the proposed BCHAF can provide significant benefits to Lower Mainland communities. Creating BCHAF would be a feasible and economically meaningful response to the rising tide of global financial flows into B.C. residential real estate. We have designed BCHAF to maximize the cash benefits available to those who live and work in BC, while creating exemptions to minimize the possibility that such residents would face any new tax burden.

---

2 An alternative would be to raise funds at the provincial level, and use proceeds to reduce tax rates. This would enhance overall efficiency, but would be difficult to implement when individual municipalities are choosing whether to join.

3 The estimated share of units in the City of Vancouver not occupied by usual residents is greater than it is in other Canadian cities. We assume that this difference in rates reflects investor held units subject to the proposed surcharge. For our calculations we assume these rates are 7.5% for condominium units and 2% among other housing units. If we assume that this rate is the same for both high and low value units, then using B.C. Assessment data and 2015 assessment values, incremental property tax paying into the BCHAF from the City of Vancouver alone would amount to $90 million per year.

4 Immigration into participating jurisdictions would only increase to the extent that BCHAF makes living in B.C. more affordable, so the net effect could not be to reduce affordability to a representative household.

Thomas Davidoff, Sauder School of Business, UBC
Tsur Somerville, Sauder School of Business, UBC
Anthony Boardman, Sauder School of Business, UBC
Sanghoon Lee, Sauder School of Business, UBC
Elena Siminitzi, Sauder School of Business, UBC
Jack Favilukis, Sauder School of Business, UBC
Matilde Bombardini, Vancouver School of Economics, UBC
Joshua Gottlieb, Vancouver School of Economics, UBC
Andrey Pavlov, SFU
Shih En Lu, SFU

For updated information and answers to questions about the BCHAF, please visit <u>www.housingaffordability.org</u>

Ministry of Finance

BRIEFING DOCUMENT

To:	Honourable Michael de Jong, Q.C. Minister of Finance	**Date Requested:**	**February 23 2016**
Initiated by:	Paul Flanagan Executive Director	**Date Prepared:**	**March 3 2016**
Ministry Contact:	Steve Hawkshaw Tax Policy Analyst	**Phone Number:** **Email:**	**250 387 7364** Steve.Hawkshaw@gov.bc.ca
		Cliff #:	**349871**

TITLE: BC Housing Affordability Fund Proposal

PURPOSE:

(X) FOR INFORMATION

COMMENTS: The province has received a proposal to introduce a new tax that would target property owners with limited economic or social ties to Canada and property owners who leave residential property vacant. The revenues would then be directed to a housing affordability fund.

DATE PREPARED: March 3, 2016

TITLE: BC Housing Affordability Fund Proposal

ISSUE: Whether to introduce a new property tax targeting property owners with limited economic or social ties to Canada and property owners who leave residential property vacant.

BACKGROUND:

The province has received a proposal to introduce a new tax that would target property owners with limited economic or social ties to Canada and property owners who leave residential property vacant. The goal of the new tax would be to:

> "[make] British Columbia a better place to live and work, by making B.C. a less attractive target for investors who wish to avoid taxation or park cash in residential real estate."

The authors of the proposal define "limited economic or social ties" to mean those who do not pay (or pay a modest amount) of Canadian and Provincial income tax.

The new tax would take the form of a 1.5 per cent property tax levied on all residential property in a given region or municipality. For comparison, the average annual property tax rate for residential property located in a municipality (including provincial and municipal levies) is approximately 0.5 per cent.

The application of the tax would then be narrowed by a series of offsets and exemptions in order to only apply to property owners who do not pay a sufficient amount of federal and provincial income tax, or property owners who fall into certain exempt categories.

The proposed offsets and exemptions are as follows:

1. A dollar for dollar offset would be provided for federal and provincial income taxes paid by all members of a household. The rationale for using income tax is that income taxes are a proxy for contributing to the "local economy".

2. Veterans and those living with them would be exempt.

3. Disabled persons and those living with them would be exempt.

4. Canadian residents receiving CPP plan benefits or Old Age Security would be exempt.

5. Individuals who have resided in their *current* home for a significant number of years would be exempt from paying the tax on their current home, in order to protect long-time residents of a community. Additionally, they suggest that this could be a lifetime benefit, once an individual qualifies as a long term resident they would exempt in any home they occupy.

6. Occupied rental properties would also be exempted from the surcharge. The proposal suggests either using an offset based on gross rental revenue reported to the Canada Revenue Agency (CRA), or a complete exemption, provided some minimum amount of rental income is reported to the CRA. An income averaging mechanism is suggested to deal with temporary vacancies.

The goal of these offsets and exemptions would be to target owners of vacant properties, owners of multiple properties, and those who own property but do not pay a significant amount of income tax, such as so called satellite families.

Although not clear from the proposal, it is likely that the authors envision the program will be administered in a similar fashion as the home owner grant program. A taxpayer would receive their property tax notice and then apply online for an offset based on the amount of income tax they have paid, or indicate their eligibility for an exemption. Data would then be provided from the CRA to the Property Taxation Branch for audit and enforcement purposes.

Revenues from this tax would be distributed as lump-sum payments to all Canadian tax filers in a given region or municipality, or that they be used to reduce provincial tax rates. According to the proposal, this would help offset the cost of living in BC. The proposal estimates the tax on vacant properties in the City of Vancouver could raise approximately $90 million.

DISCUSSION:

s.13

Page 022 to/à Page 026

Withheld pursuant to/removed as

s.13

Appendix: s.13,s.16

s.13,s.16

- Ontario implemented two measures aimed at curbing house price inflation in the 1970s.
  - A 20 per cent transfer tax on non-residents of Canada s.13,s.16
  - An income tax on land speculation aimed at short term speculators (flippers).
  - The taxes were enacted in 1974 and repealed by 1978...
    - The 20 per cent rate for non-residents remained for the acquisition of certain land (farmland) until 1997.

The 20 per cent land transfer tax on non-residents

- This imposed a 20 per cent tax upon the acquisition of property in Ontario by non-residents of Canada.

s.13,s.16

- The s.13,s.16 tax was imposed at a rate of 20 per cent (initially 50 per cent) of the excess of proceeds of disposition over the adjusted cost of acquisition, if property was sold before ten years.

s.13,s.16

Page 028

Withheld pursuant to/removed as

s.16;s.13

Menzies, Brian FIN:EX

From:	De Wit, Antoinette PREM:EX
Sent:	Tuesday, July 26, 2016 5:07 PM
To:	Menzies, Brian FIN:EX; Snider, Marty C FIN:EX
Cc:	McPhee, Jordan PREM:EX; Merrifield, Katy PREM:EX
Subject:	FW: Property Transfer Tax Treatment of Foreign Interests
Attachments:	Letter from Construction Industry to Premier.pdf
Importance:	High

The attached letter requires a response from your minister, on behalf of PCC ... asap please ... can I leave it with you to make it happen? Their specific concern relates to the section of the Bill referencing August 2nd.

From: Bob de Wit [mailto:bob@gvhba.org]
Sent: Tuesday, July 26, 2016 2:12 PM
To: Cadario, Michele PREM:EX; Minister, FIN FIN:EX
Cc: Minister, CSCD CSCD:EX; Minister, MNGD MNGD:EX; Philip Hochstein; Anne McMullin; Neil Moody
Subject: RE: Property Transfer Tax Treatment of Foreign Interests
Importance: High

Dear Madam Premier and Minister de Jong:

The attached letter outlines the serious concerns of BC's construction industry regarding yesterday's announced changes to the Property Transfer Tax.

The response from our members and their clients has been swift, with news of contract cancellations already occurring.

Before the legislation becomes entrenched, we urgently request that you consider our concerns outlined in the attached letter. We believe that a quick response can hopefully forestall a broader adverse economic reaction to this policy change.

I look forward to your response.

Regards,

____

Robert (Bob) de Wit | CEO
Greater Vancouver Home Builders' Association
The Voice of the residential construction industry
T 604.916.3434
@rdewit

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gvhba.org/eventcalendar

Urban Development Institute
Pacific Region

GREATER VANCOUVER HOME BUILDERS' ASSOCIATION
gvhba.org

ICBA
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CANADIAN
HOME BUILDERS' ASSOCIATION
BRITISH COLUMBIA

July 26, 2016

Premier Christy Clark
West Annex, Parliament Buildings
Victoria, BC V8V 1X4

Dear Premier Clark,

We are writing to you as construction industry associations with respect to the proposed changes to the property transfer tax announced yesterday in the Legislature. The residential construction industry represents 137,000 jobs in new home construction, renovation, and repair – one of the largest employers in British Columbia.

Our members have expressed concern with the legislation, specifically the clause that indicates that the tax will apply to all applicable transfers registered on or after August 2, 2016, regardless of when the contract of purchase and sale was entered into.

In the home building industry, deposits and contracts to purchase are agreed upon months and years in advance of the closing dates and land transfers. These contracts are based in good faith on full disclosure of costs and tax structures at that time. To unilaterally apply this new tax to all purchases will directly penalize those who purchased in pre-sales and will take possession thereafter.

We must honour the contracts that were previously signed and grandfather them in. If the legislation stands as is, this is an unfair and punitive approach to the contracts in place. We need investment of all types in this province, and cannot harm investor confidence in British Columbia. This decision could create longer-term risks to the industry and the economy at large without this important amendment.

There is still time before this legislation takes effect to rectify this. We strongly encourage you to consider amending the legislation to apply only to all contracts *signed after August 2, 2016*.

Thank you for your time and consideration of this important request.

Yours sincerely,

Anne McMullin, President & CEO
Urban Development Institute Pacific Region

Bob de Wit
Bob de Wit, CEO
Greater Vancouver Home Builders' Association

Phillip Hochstein, President
Independent Contractors & Businesses Assn. of B.C.

Neil Moody, CEO
Canadian Home Builders' Association of B.C.

Cc: The Hon. Rich Coleman, Deputy Premier, Minister of Energy and Mines, Minister Responsible for Housing
The Hon. Peter Fassbender, Minister of Community, Sport and Cultural Development and Minister Responsible for TransLink
The Hon. Michael de Jong, Minister of Finance and House Leader

Menzies, Brian FIN:EX

From:	Scott Cressey <scottcressey@cressey.com>
Sent:	Wednesday, July 27, 2016 1:57 PM
To:	abbotsfordwest@bcliberals.com; deJong.MLA, Mike LASS:EX; Minister, FIN FIN:EX; Menzies, Brian FIN:EX
Subject:	Foreign Buyers Tax
Attachments:	SKM_C554e16072711320.pdf

Please find an enclosed a letter that has been previously sent to a number of MLA's. I am very concerned what this retro-active tax says to the investors in BC. We encouraged foreign investment, especially from the government, to come to BC. Now when they have come we want to tax them because they all drank our Kool-Aid, saw what a beautiful place we have here and bought our property. Unfortunately now locals who are not in the market can no longer afford it. I get that we need to slow down the increases in our market, but encouraging people to invest and then changing the rules midstream is essentially entrapment. What happens if prices continue to increase? Will you now tax local buyers as well. Will you tax Victoria. Will you tax Whistler to keep the Americans out. Mike de Jong has publically said he will adjust the tax from 5 to 20% to keep out foreign investment. Will this affect all investment in the province? Obviously it will. Is LNG is officially dead? Why would a foreign company trust us when we retro-actively change the rules. The message is we like to play the game with you but if you are winning and we are losing then we will change the rules mid-game. Change the rules going forward and then people can decide if they wish to play or not play. But not part way through.

This will definitely slow down all presales. It could put in jeopardy existing projects undergoing the presale process. Therefore future supply will decrease. A tremendous number of these non-resident buyers put the units into the rental market. (the number of vacant homes being smaller condos is very small, it is not the "vacant home" issue that the City of Vancouver is concerned about). Therefore fewer non-resident purchasers of condos means less rental units. This will exasperate the shortage of rental housing.

I will find it interesting to watch the Cities try to balance their budgets without the massive contributions from real estate development that they have become dependent on. They have shown little fiscal responsibility to date.

The bottom line is we need to ensure stability in our economy. We need to exude honesty and create trust with everyone. This is not a resident v non-resident issue. This is all investors in our economy. Passing a retro-active law destroys trust. Why would anyone invest in B.C. in the future as you have now said we will pass laws to penalize people if we don't like what is happening to our economy. Why should a resident trust the government after seeing that you wish to impose retroactive taxes on non-residents. Grandfathering previous written contracts is simply the fair concept. Anything else evokes an endless string of dark concepts that we as Canadian's have always said we are above.

Please tweak your Bill 28 to allow grandfathering of previous written contracts. It will help to keep our industry and our entire economy stable. I understand your desire to slow down the future increases in real estate. The fifteen percent tax will definitely do that. In might even stall it entirely. But making it retro-active I feel will destroy trust, confidence and stability in our government and our economy. Be very careful and remember that without the construction industry there is not much else in British Columbia to keep us going.

Scott Cressey

CRESSEY

Suite 200
555 West 8th Avenue
Vancouver, BC V5Z 1C6
Tel 604 683 1256
Fax 604 683 7690
www.cressey.com

July 26, 2016

Premier Christy Clark

Government of British Columbia

P.O. Box 21014

Waterfront Center

Vancouver, B.C.

V6C 3K3

Dear Honorable Premier Christy Clark,

Re: the New Foreign Buyers Tax,

This is a formal letter expressing my deepest concern regarding your new tax. I have spent the last twenty four hours thinking about this. I am most concerned about how this could affect our industry. I believe how you planned to implement this tax could damage the very essence of why people both foreign and local wish to invest in British Columbia. It is a safe place to invest. There are rules and regulations to follow. We have trust and respect for our governments. We have stability. Imposing a retro-active tax of 15% damages the faith that we have that the government is trustworthy, honest and fair. This applies to residents and non-residents. For example, if a non-resident who bought a house two months ago and plans to close on it next week now has to come up with another 15% of the purchase price or he will go into default. If he goes into default, what happens to, perhaps, the long term B.C. resident who owns that home? Perhaps the existing home owner has contracted to buy a condo with the money he will receive from selling his home. He has further emptied his investments to put the deposit down on the condo he wishes to purchase. Now this B.C. resident will not be able to complete the purchase of the condo and will go into default. And he will have forfeited his deposit and worse he may be sued for performance so that financial damage does not end at just a lost deposit. The ripple effect could be devastating and could affect the very people you wish to protect. Can you imagine the effect on an individual who has contracted to buy a rental apartment building for say twenty million dollars and now has to come up with another three million dollars in tax next week or lose his deposit and possibly more? The lawyers will be busy.

It is very important in our business to have presales. Presales are necessary for us to get construction financing. It takes two to three years to build a building. It is essential that someone buying in a presale environment knows that the laws will not change from the date he commits contractually to buy to the day that he completes/close on that transaction. It is all about trust, fairness, stability and accountability. Changing the laws of taxation to retro-actively alter a person's investment is most unfair and I would hope it is actually an illegal action.

We had five million dollars of real estate contracts rescinded yesterday after your announcement. We are expecting another fifteen to twenty million dollars over the next few days as the rescission period of the disclosure statement expires. In this one particular project the non-residents represent about 14% of the total buyers. However, the people rescinding are about 50% resident and 50% non-resident. The resident buyers who are rescinding are concerned that this new taxation might destroy the confidence in the real estate market. I would imagine we will need to do a full audit of all the non-resident buyers for the banks on all our construction loans for projects under construction. I would imagine the banks will now feel very uncomfortable in the security of those presale contracts.

I feel great sympathy to those individuals who we as a province, all of us included, have promoted our home as a wonderful place to live and raise a family. We started with Expo 1986, we promoted supernatural British Columbia, we bragged throughout the 2010 Olympics. We used foreign money to bring us out of the recession of 1980. We used it indirectly as our main source of GDP. We encourage foreign students to study here and subsidize our schools and universities, often at the detriment of our own children's ability to get accepted into those very same schools. And now after all that we hit them with a 15% tax for doing exactly what we have encouraged and promoted them to do. Remember it is a very very few who have been involved in unscrupulous real estate transactions. This all seems a little hypocritical to me.

I will not debate if this tax is the right way to slow down our market but if you wish this tax then it is ESSENTIAL to grandfather individuals and corporations who have already entered into contracts of purchase to be exempted from the tax. Otherwise you had better start building new court rooms and hiring more judges as I think this new tax could cause a lot of contract defaults.

To avoid a short term run on real estate before your tax becomes law it would be very easy to say that any contract that was not signed by July 25 with a deposit received by even July 28 when you are voting on Bill 28 would not be exempt from the tax. There would be financial records of the deposit so that back dating would be very difficult. I am sure there are numerous ways to avoid the few taking advantage of not paying the tax, but think of the numerous honest investors and existing owners who will not be unfairly punished by your new retro-active tax.

To me integrity, honesty and dependability are key attributes for people, corporations and governments. Retro-active taxation is not representative of those key attributes.

I sincerely hope you reconsider your taxation and grandfather all previous written contracts.

Sincerely,

Scott Cressey

The Cressey Group of Companies

Menzies, Brian FIN:EX

From:	Brad Henderson <bhenderson@sothebysrealty.ca>
Sent:	Wednesday, July 27, 2016 6:57 AM
To:	deJong.MLA, Mike LASS:EX
Cc:	Menzies, Brian FIN:EX; Chandler, Penelope E FIN:EX
Subject:	Foreign Buyer Tax– Request for Consideration from Sotheby's International Realty Canada

Dear Minister de Jong ,

Sotheby's International Realty Canada respects and appreciates the efforts of the Government of British Columbia to address escalating concerns regarding housing affordability in Greater Vancouver.

In the short term, the introduction of the 15 per cent foreign buyer tax on all residential transactions effective August 2, 2016 puts previously negotiated real estate transactions at risk, with the potential of adversely affecting local sellers and buyers. These parties did not enter into contracts with the knowledge of the tax. At this point it is simply a wealth transfer from the buyer to the Government which serves no purpose for the Governments intended outcome.

We respectfully submit that the Government of B.C. should exempt real estate transactions that are in the process of closing from this new tax, as per the request of the Real Estate Board of Greater Vancouver. We also respectfully request that input from local real estate boards and associations be taken into careful consideration in order to minimize unintended negative repercussions as this tax is implemented.

On behalf of our clients and real estate professionals, we thank you for your consideration.

Kind regards,

Brad J. Henderson
President & CEO

Sotheby's International Realty Canada
1867 Yonge Street, Suite 100, Toronto, ON M4S 1Y5
416-992-8956
bhenderson@sothebysrealty.ca
sothebysrealty.ca | sothebysrealty.com

Follow Me: Twitter @bradjhenderson | LinkedIn

Jennifer Moroney | Executive Assistant | 647-253-1191 Jmoroney@sothebysrealty.ca

Menzies, Brian FIN:EX

From:	Chrystal, Neil <nchrystal@polyhomes.com>
Sent:	Wednesday, July 27, 2016 12:36 PM
To:	abbotsfordwest@bcliberals.com; deJong.MLA, Mike LASS:EX
Cc:	Menzies, Brian FIN:EX
Subject:	New Foreign Buyers TAx
Attachments:	Letter to Mike de Jong.pdf

Minister de Jong,

I am sure you have been inundated with emails and letters about the new Foreign Buyers Tax.

I have written the Premier and other MLA's outlining my general displeasure with the new tax and felt that I should also send a formal letter to you expressing myself more articulately then in the shorter email I sent to Brian Menzies on Monday. I have cc'd Brian as I cannot be certain the email to your general email account will find its way to you before your caucus meeting this afternoon.

You have always been a reasonable person and I have enjoyed working with you and your team on other important industry issues such as REDMA.

I certainly hope you will read the attached letter to appreciate why I think you are making some serious mistakes in the roll out of this new tax. It is not too late to make a few simple changes to mitigate what could have disastrous implications for our industry.

Regards,

Neil Chrystal

polyhomes.com
900 - 1333 West Broadway,
Vancouver, BC V6H 4C2

POLYGON

July 27, 2016

The Honourable Mike de Jong, M.L.A.
Minister of Finance
Abbotsford West M.L.A.
103 - 32660 George Ferguson Way
Abbotsford, BC
V2T 4V6

Dear Minister de Jong:

Re: New Foreign Buyers Tax

I am writing you a letter to formally challenge the introduction of a new Foreign Buyers Tax on residential properties in the Greater Vancouver Regional District and the criteria and rules surrounding its application.

Last Tuesday a delegation from UDI met with you to explore and discuss the challenges of the housing market. At the meeting, you indicated that you would be introducing some new legislation on Monday and wanted to give us a "heads up" that something was coming. While you discussed introducing powers for municipalities to tax vacant properties, you did not indicate that a new tax on foreign buyers would be introduced but suggested that many ideas had been tabled and were being discussed by the government.

You expressed concern that the issue of affordability in our marketplace was concerning and that all levels of government were under pressure to do something positive to support locals who are becoming priced out of the market. At our meeting, it was suggested that markets have a way of self-correcting and that recent MLS data suggested that the market was in fact beginning to slow with sales velocities declining over the last three consecutive months.

We also discussed a wide range of ideas of how to increase supply in the market place that might help to flood the market with new homes and moderate price increases without slowing the home building industry. As you know, our industry is a key driver to the B.C. economy creating thousands of jobs and is a significant reason that your government has been able to promote impressive economic statistics around GDP and employment.

POLYGON HOMES LTD.
900 – 1333 West Broadway
Vancouver, British Columbia
V6H 4C2 Canada
tel: 604.877.1131
fax: 604.876.1258
www.polyhomes.com

.../2

I was shocked and surprised when I read the news briefing on the new Foreign Buyer Tax on Monday. The new tax is wrong on three fronts;

1) The tax of 15% is excessive and a sure fire way to disrupt the market in a significant way;

2) The fact that the government did not provide a grandfathering provision for buyers of pre-sales homes is outrageous and sure to cause our industry a lot of issues moving forward.

3) A complete lack of consultation with industry professionals resulted in the tax being introduced without understanding the unintended consequences it would create.

With respect to the level of taxation on foreign buyers I am not at odds with the idea of introducing a tax that makes it more expensive for foreign nationals to purchase a home in greater Vancouver. However, given that our region is already one of the most expensive regions in Canada and often referenced as one of the most expensive markets in the world, I think that a lower tax rate would have satisfied the need to make an impact both practically and politically. I have heard that the tax would be variable within the range of 10-20%. Given our high price points I would have thought that introducing the tax at the lower end of the threshold would have adequately served to penalize this buyer group.

Furthermore, the new tax will likely have the unintended consequence of certain submarkets coming to a grinding halt, reducing prices and eroding the equity of home owners. The blame for this will clearly fall on the government for introducing this new tax. But perhaps that is what you want to achieve?

With respect to lack of a provision that would allow existing transactions, many of which were written months or years before Monday's announcement, to be exempt from the new tax is morally wrong and extremely unfair to the many buyers who made a commitment to invest in B.C. Without a grandfathering provision, these buyers are now subject to a harsh penalty for that investment. Furthermore, the head of the Greater Vancouver Real Estate Board has accurately pointed out that the impact to the re-sale market could be significant if foreign buyers elect to walk from their deposits. The chain reaction of deals collapsing would have a dramatic impact in the market and many local buyers would be affected. In Sydney and Hong Kong, both regions grandfathered existing sales agreements when they introduced a similar tax.

As your recent data has indicated, the number of foreign buyers is estimated at 4-6% across the greater Vancouver marketplace but in certain regions such as downtown Vancouver, Burnaby or Richmond, the percentage of foreign buyers in a new development is much higher. Many developers, including Polygon have been actively pre-selling homes in these communities and have a significantly higher ratio of foreign buyers. We are obviously very concerned about how our pending buyers will choose to react to the new tax and what the impact could be to the viability of these projects if buyers elect to walk from their deposits or seek ways to legally get out of their agreements.

.../3

On a macroeconomic perspective I wonder what the impact of this treatment of foreign buyers will have on other significant economic investments made by foreigners in the province. My initial thinking is that companies and individuals will begin to question these critical investment decisions with the risk of knowing that higher or new taxes can be suddenly introduced. Your decision to not treat existing home buyers who purchased homes is simply wrong and grossly unfair.

Finally, I find it strange that with such a large network of loyal industry supporters with a wealth of experience, the government chose not to seek their advice before rolling out this new tax. While I was encouraged and appreciative to be invited to participate in the consultation meeting with you hosted last week, I now feel blind-sided and betrayed by the announcement of this new tax. I find it hard to believe that something so drastic wasn't discussed further with our industry and have concluded that our meeting last week was more about optics as the new tax policy was likely already pre-determined and our advice would not be given any serious consideration.

Over the last 48 hours I have received many calls from industry colleagues who are deeply concerned about this new tax and how it was introduced. I know I will be fielding calls from others and I wanted to let you know how disappointed we all are.

I recognize it will be difficult to back away from the rate of tax to be imposed but I would strongly urge that you and your leadership group reconsider the lack of a grandfathering provision for existing deals. I would recommend that any existing Purchase and Sale agreement that predates your announcement of the new tax should be grandfathered and the new tax should only be applied to new transactions entered into after the announcement.

If you would like to discuss this further I am always available to meet with you or have a telephone conversation.

Regards,

POLYGON HOMES LTD.

Neil Chrystal
President and Chief Executive Officer

Menzies, Brian FIN:EX

From:	David Hutniak <davidh@landlordbc.ca>
Sent:	Wednesday, July 27, 2016 2:44 PM
To:	Menzies, Brian FIN:EX
Subject:	Purpose-Built Rental and Foreign Ownership Tax
Attachments:	Minister de Jong Foreign Tax July 2016.pdf

Dear Brian,

Pursuant to our earlier conversations, LandlordBC wishes to support the Minister in his efforts to mitigate the supply and affordability challenges in today's rental housing market. It is our preference to provide direct collaborative support. We've outlined our concerns as it pertains to the development of new purpose-built rental stock in the attached letter to the Minister. I welcome and encourage you to contact me with any questions or if you need further information.

Thank you.

David Hutniak
Chief Executive Officer
LandlordBC - BC's top resource for owners and managers of rental housing
Phone: 604.733.9440 ext. 202 | Fax: 604.733.9420 | Mobile: 604.644.6838
Email: davidh@landlordbc.ca
Website: www.landlordbc.ca

LANDLORDBC

BC's top resource for owners and managers of rental housing

LANDLORDBC

Vancouver
203 – 1847 West Broadway
Vancouver BC V6J 1Y6
PHONE 604 733 9440
FAX 604 733 9420
Toll free in BC 1.888 330.6707

Victoria
830B Pembroke Street
Victoria, BC V8T 1H9
Phone 250 382 6324
Fax Local 250 382 6006
Fax Toll Free 1.888 330.67

July 27, 2016

Hon. Mike de Jong
Minister of Finance and Government House Leader
PO Box 9048 Stn Prov Govt
Victoria, BC
V8W 9E2

Re: BC's proposed 15% foreign investment tax and purpose-built market rental housing

<<Sent via email to: brian.menzies@gov.bc.ca>>

Dear Minister de Jong,

On behalf of the owners of purpose-built market rental housing, developers of purpose-built market rental housing and, renters in British Columbia, I am writing you to request the immediate exemption of purpose-built market rental housing from the recently announced 15% foreign investor real estate property transfer tax. It is LandlordBC's view, and that of our broader industry and concerned stakeholders, that the introduction of this tax will impede the construction of new purpose-built market rental housing causing to further exasperate an incredibly challenging environment for rental housing supply in Metro Vancouver.

Premier Christy Clark said in a statement Monday "Owning a home should be accessible to middle-class families, and those who are in a position to rent should be able to find a suitable home". Discouraging the construction of new purpose-built market rental housing is not going to help renters find a suitable home.

We understand and appreciate the Government drawing the conclusion that some measures are likely necessary to cool the amount of foreign investment in the home ownership market (single family, condos, etc.). Will the proposed tax be the appropriate tool? We will have to defer that discussion to others with a more intimate knowledge of that market. What we do know is that this tax will negatively impact the construction of new purpose-built market rental. In particular, it will cause those developers who have traditionally operated exclusively in the condo market, many of whom have recently begun to migrate into building purpose-built market, to retreat from the purpose build rental market. These developers are desperately needed if we are to significantly and meaningfully increase the supply of purpose-built market rental housing in BC. Ironically, it is our view that if the requested exemption were made, it may actually **encourage** their active participation in the building of new purpose-built market rental housing.

LANDLORDBC

Vancouver
203 – 1847 West Broadway
Vancouver BC V6J 1Y6
PHONE: 604.733.9440
FAX: 604.733.9420
Toll free in BC: 1.888.330.6707

Victoria
3300 Pemb[illegible] Street
Victoria, BC V8T [illegible]
Phone: 250.382.6324
Fax Local: 250.382.6006
Fax Toll Free: 1.888.330.[illegible]

The lack of rental units available in the region is a huge hurdle for local businesses, and hinders the growth of our local economy. We need to provide viable housing options for those without the large deposit required as a downpayment for condo ownership.

The development of purpose-built market rental will not alone solve affordability for renter's in the region. It will, however, help to alleviate pressure in the rental market, and provide housing options to many who find themselves in housing that doesn't currently meet their needs. With very little purpose-built rental developed in the past few decades, the addition of new rental housing will put downward pressure on existing rentals, and ultimately will contribute to a healthier housing market.

While the focus of our comments has been on the threat this tax has to further development of new purpose-built market rental, we would like to remind you and your Government that a purpose-built market rental building is in reality a commercial enterprise. It is a business. A business providing safe, secure, sustainable rental housing for British Columbians, employment for it's management, revenue for all levels of government. With this proposed tax the Government would be discouraging foreign investment in BC businesses. This is inconsistent with your Government's historical position. Under your Government's leadership foreign investment in BC businesses has been welcomed and encouraged to create broad-based wealth and prosperity. We note that the proposed legislation specifically excludes commercial property. We would argue that purpose-built market rental housing is in effect commercial property, a commercial enterprise, and such consideration should further encourage your excluding purpose-built market rental housing from the proposed foreign ownership tax.

While critics of foreign investment in BC's housing market argue that this investment is increasing prices for everyone, government has a unique opportunity to be creative here and provide an incentive for foreign investment in purpose built rental housing so as to increase supply and encourage foreign investment where it is needed most.

Sincerely,

D. Hutniak

David Hutniak
Chief Executive Officer
LandlordBC

Menzies, Brian FIN:EX

From:	Edwardson, Jamie GCPE:EX
Sent:	Wednesday, July 27, 2016 4:47 PM
To:	Mentzelopoulos, Athana FIN:EX; Williams, Susan GCPE:EX; Chandler, Penelope E FIN:EX; Edwardson, Jamie GCPE:EX; Keirstead, Zoe FIN:EX; McLachlin, Jessica GCPE:EX; Menzies, Brian FIN:EX; Miniaci, Mario FIN:EX; Snider, Marty C FIN:EX
Cc:	Zoeller, Sonja GCPE:EX; McLachlin, Jessica GCPE:EX
Subject:	FW: FYI- FICOM sent an e-alert on new legislation this afternoon.

From: Dickson, Greg FIN:EX
Sent: Wednesday, July 27, 2016 4:41 PM
To: Edwardson, Jamie GCPE:EX
Subject: FYI- FICOM sent an e-alert on new legislation this afternoon.

This went out to developers and real estate lawyers on our list this afternoon. Reflects message from the RECBC.

The Superintendent of Real Estate is warning developers that under newly introduced Property Transfer Tax legislation they would face significant fines and/or imprisonment if they provide incorrect information intended to avoid the tax changes.
The Province is introducing and will be enforcing stringent non-compliance penalties. Under the legislation, any individual who fails to pay the additional tax, or who participates in providing incorrect information to avoid the tax could be liable for fines of up to $100,000 and/or two years in prison.
The legislation introduced by government earlier this week provides for an additional Property Transfer Tax of 15% effective August 2, 2016, on residential property transfers to foreign entities in the Greater Vancouver Regional District.

This is explained in the Property Transfer Tax section of the government's website at http://www2.gov.bc.ca/gov/content/taxes/property-taxes/property-transfer-tax. A copy of the bill that introduced this legislation is available at https://www.leg.bc.ca/parliamentary-business/legislation-debates-proceedings/40th-parliament/5th-session/bills/first-reading/gov28-1.

Consumers and developers should obtain independent professional legal or accounting advice to determine if their existing or proposed trade in real estate will be subject to the additional Property Transfer Tax. Professional advice is also recommended before entering into any transaction promoted to them as a "solution" or measure to avoid payment of applicable taxes.

For more information, please contact the Superintendent's staff at: RealEstate@ficombc.ca.

Financial Institutions Commission
Office of the Superintendent of Real Estate
2800 - 555 West Hastings Street
Vancouver, BC V6B 4N6
Phone 604.660.3555 | Fax 604.660.3365
www.fic.gov.bc.ca

Greg Dickson, Communications Specialist
CEO Office | Financial Institutions Commission

Phone: 604.660.3905
2800 - 555 West Hastings Street | Vancouver, BC | V6B 4N6
Website: www.fic.gov.bc.ca

From: Edwardson, Jamie GCPE:EX
Sent: Thursday, July 28, 2016 7:41 AM
To: Menzies, Brian FIN:EX; Miniaci, Mario FIN:EX; McLachlin, Jessica GCPE:EX; Zoeller, Sonja GCPE:EX; Chandler, Penelope E FIN:EX; Snider, Marty C FIN:EX; Keirstead, Zoe FIN:EX
Subject: Fw: Addtional Propety Transfer Tax Information Sheet - Urgent Update to Link Address (URL)

Flagging, new link to the tax bulletin. Will update our links too

Sent from my BlackBerry 10 smartphone on the TELUS network.

From: Thoroughgood, Danna L FIN:EX <Danna.Thoroughgood@gov.bc.ca>
Sent: Thursday, July 28, 2016 7:26 AM
To: Zoeller, Sonja GCPE:EX; Edwardson, Jamie GCPE:EX; McLachlin, Jessica GCPE:EX
Cc: Luzzi, Kristina M FIN:EX; Hebert, Laura FIN:EX
Subject: Addtional Propety Transfer Tax Information Sheet - Urgent Update to Link Address (URL)

Hi all,
Unfortunately when we revise the Information Sheet 2016-006 Additional Property Transfer Tax on Residential Property Transfers to Foreign Entities in the Greater Vancouver Regional District yesterday afternoon, we lost the original GUID link. The GUID link address has now changed to
http://www2.gov.bc.ca/assets/download/A2960ACDB6BD443280CA34C285BAEA80

I believe the original new release will need to be updated to the new link.

If you've linked the HRU http://www2.gov.bc.ca/assets/gov/taxes/property-taxes/property-transfer-tax/forms-publications/is-006-additional-property-transfer-tax-foreign-entities-vancouver.pdf, nothing changed but you may want to test it.

Thanks,

Danna Thoroughgood
Team Leader, Public Information | Public Information and Corporate Services
Ministry of Finance | 1st Floor | 1802 Douglas St | Victoria BC
☎ 250 387-1847

Menzies, Brian FIN:EX

From:	Edwardson, Jamie GCPE:EX
Sent:	Thursday, July 28, 2016 10:34 AM
To:	Menzies, Brian FIN:EX; Mentzelopoulos, Athana FIN:EX; Williams, Susan GCPE:EX
Subject:	Fw: PTT changes
Attachments:	Moody's - New Tax on Foreign Real Estate Investment.pdf

Sent from my BlackBerry 10 smartphone on the TELUS network.

From: Redchurch, Kevin FIN:EX <Kevin.Redchurch@gov.bc.ca>
Sent: Thursday, July 28, 2016 10:19 AM
To: Edwardson, Jamie GCPE:EX; Chand, Rita FIN:EX; Latham, David FIN:EX; Hopkins, Jim FIN:EX
Cc: Williams, Susan GCPE:EX; MacLean, Shelley FIN:EX; Hughes, Patty A FIN:EX
Subject: RE: PTT changes

Hi Jaime,

Attached is what I could find; it is from July 27th. Please let me know if this will suffice.

Regards,

Kevin

From: Edwardson, Jamie GCPE:EX
Sent: Thursday, July 28, 2016 7:52 AM
To: Chand, Rita FIN:EX; Latham, David FIN:EX; Hopkins, Jim FIN:EX
Cc: Williams, Susan GCPE:EX; Redchurch, Kevin FIN:EX; MacLean, Shelley FIN:EX
Subject: Fw: PTT changes

Hi - can we get a copy of the moody's document that makes this statement please?
MO asking.

Sent from my BlackBerry 10 smartphone on the TELUS network.

From: Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>
Sent: Thursday, July 28, 2016 7:50 AM
To: Edwardson, Jamie GCPE:EX
Cc: Mentzelopoulos, Athana FIN:EX; Flanagan, Paul FIN:EX; Wood, Heather FIN:EX
Subject: PTT changes

.... The bond raters think the PTT change good too for adding protection to oversubscribed bank credit/security. D.

B.C. tax on foreign buyers a bank boon
National Post
Thursday, July 28, 2016
Page FP2
By Barbara Shecter[redacted]

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MOODY'S
INVESTORS SERVICE

SECTOR COMMENT
27 July 2016

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Banks - Canada

New Tax on Foreign Real Estate Investment Credit Positive

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Page 049 to/à Page 052

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Menzies, Brian FIN:EX

From:	Edwardson, Jamie GCPE:EX
Sent:	Thursday, July 28, 2016 8:48 AM
To:	Menzies, Brian FIN:EX; Miniaci, Mario FIN:EX; Williams, Susan GCPE:EX
Cc:	Keirstead, Zoe FIN:EX; Snider, Marty C FIN:EX; Zoeller, Sonja GCPE:EX
Subject:	update
Attachments:	statements - 1.docx

Added a couple more

STATEMENTS

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Gregor Robertson – Mayor of Vancouver

"… a higher transfer tax on foreign buyers has the potential to address some of the speculation we're seeing in our housing market, which would be a positive step in easing affordability pressures on residents."

Menzies, Brian FIN:EX

From:	Edwardson, Jamie GCPE:EX
Sent:	Thursday, July 28, 2016 11:31 AM
To:	Menzies, Brian FIN:EX; Miniaci, Mario FIN:EX; McLachlin, Jessica GCPE:EX; Zoeller, Sonja GCPE:EX; Williams, Susan GCPE:EX; Keirstead, Zoe FIN:EX
Subject:	Fw: avoidance tactics

Sent from my BlackBerry 10 smartphone on the TELUS network.

From: Marilee Peters <mpeters@recbc.ca>
Sent: Thursday, July 28, 2016 11:30 AM
To: Geoff Thiele; Wood, Heather FIN:EX
Cc: Edwardson, Jamie GCPE:EX; Robert Fawcett
Subject: RE: avoidance tactics

The Council opened an investigation file and reviewed the matter.
s.22

Marilee Peters | Communications Officer | Real Estate Council of British Columbia | 900-750 West Pender Street Vancouver, BC Canada V6C 2T8 | Tel 604.683.9664 Toll-free 1.877.683.9664 | www.recbc.ca

The Real Estate Council of British Columbia is a regulatory agency established by the provincial government in 1958. Its mandate is to protect the public interest by enforcing the licensing and licensee conduct requirements of the *Real Estate Services Act*.

From: Geoff Thiele
Sent: July-28-16 10:58 AM
To: heather.wood@gov.bc.ca
Cc: Jamie.Edwardson@gov.bc.ca; Robert Fawcett; Marilee Peters
Subject: FW: avoidance tactics

fyi

Geoff Thiele | Director, Legal Services | Real Estate Council of British Columbia | 900-750 West Pender Street Vancouver, BC Canada V6C 2T8 | Tel 604.683.9664 Toll-free 1.877.683.9664 | www.recbc.ca

The Real Estate Council of British Columbia is a regulatory agency established by the provincial government in 1958. Its mandate is to protect the public interest by enforcing the licensing and licensee conduct requirements of the Real Estate Services Act.

responsible for delivering the message to the intended recipient, please notify us immediately by return e-mail and delete all copies of the original e-mail. Any dissemination, distribution or copying of this communication by anyone other than the intended recipient is prohibited. Thank you.

From: Real estate Council of BC - Professional Standards Advisor
Sent: July-28-16 8:38 AM
To: s.22
Cc: Real Estate Council of BC - Compliance
Subject: RE: avoidance tactics

Thank you for forwarding this information to the Council. The information will be forwarded to our Compliance Department for review.

Regards,
Maureen

Maureen Coleman | Professional Standards Advisor | Real Estate Council of British Columbia | 900-750 West Pender Street Vancouver, BC Canada V6C 2T8 | Tel 604.683.9664 Toll-free 1.877.683.9664 | www.recbc.ca
The Real Estate Council of British Columbia is a regulatory agency established by the provincial government in 1958. Its mandate is to protect the public interest by enforcing the licensing and licensee conduct requirements of the Real Estate Services Act.

CONFIDENTIALITY NOTICE: This message is intended only for the use of the individual or entity named above, and may contain information that is privileged, confidential or exempt from disclosure under applicable law. If you are not the intended recipient, or the employee or agent responsible for delivering the message to the intended recipient, please notify us immediately by return e-mail and delete all copies of the original e-mail. Any dissemination, distribution or copying of this communication by anyone other than the intended recipient is prohibited. Thank you.

-----Original Message-----
From: s.22
Sent: July-27-16 5:48 PM
To: Real estate Council of BC - Professional Standards Advisor
Subject: avoidance tactics

I understand you are investigating a realtor who suggested to clients that the new foreign buyer tax could be avoided by having a friend or relative who was a Canadian buy the property in her name. I heard s.22
suggest the exact same thing s.22
s.22

fyi. s.22

Menzies, Brian FIN:EX

From:	Edwardson, Jamie GCPE:EX
Sent:	Thursday, July 28, 2016 11:06 AM
To:	Menzies, Brian FIN:EX; Williams, Susan GCPE:EX; Miniaci, Mario FIN:EX; Zoeller, Sonja GCPE:EX
Subject:	Fw: avoidance tactics

Flagging

Sent from my BlackBerry 10 smartphone on the TELUS network.

From: Geoff Thiele <gthiele@recbc.ca>
Sent: Thursday, July 28, 2016 11:03 AM
To: Wood, Heather FIN:EX; Edwardson, Jamie GCPE:EX
Subject: FW: avoidance tactics

Further fyi. Just thought you should know there is someone out there who thinks s.22 was offside. If they contacted us, they may also have contacted others

Geoff Thiele | Director, Legal Services | Real Estate Council of British Columbia | 900-750 West Pender Street Vancouver, BC Canada V6C 2T8 | Tel 604.683.9664 Toll-free 1.877.683.9664 | www.recbc.ca

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From: Robert Fawcett
Sent: July-28-16 11:00 AM
To: Geoff Thiele
Cc: Marilee Peters
Subject: RE: avoidance tactics

s.22 in our opinion (Maureen's and mine) that there was nothing there.

R

From: Geoff Thiele
Sent: July-28-16 10:58 AM
To: heather.wood@gov.bc.ca
Cc: Jamie.Edwardson@gov.bc.ca; Robert Fawcett; Marilee Peters
Subject: FW: avoidance tactics

fyi

Geoff Thiele | Director, Legal Services | Real Estate Council of British Columbia | 900-750 West Pender Street Vancouver, BC Canada V6C 2T8 | Tel 604.683.9664 Toll-free 1.877.683.9664 | www.recbc.ca

---

From: Real estate Council of BC - Professional Standards Advisor
Sent: July-28-16 8:38 AM
To: s.22
Cc: Real Estate Council of BC - Compliance
Subject: RE: avoidance tactics

Thank you for forwarding this information to the Council. The information will be forwarded to our Compliance Department for review.

Regards,
Maureen

Maureen Coleman | Professional Standards Advisor | Real Estate Council of British Columbia | 900-750 West Pender Street Vancouver, BC Canada V6C 2T8 | Tel 604.683.9664 Toll-free 1.877.683.9664 | www.recbc.ca

-----Original Message-----
From: s.22
Sent: July-27-16 5:48 PM
To: Real estate Council of BC - Professional Standards Advisor
Subject: avoidance tactics

I understand you are investigating a realtor who suggested to clients that the new foreign buyer tax could be avoided by having a friend or relative who was a Canadian buy the property in her name. I heard s.22
suggest the exact same thing s.22
s.22

fyi. s.22

Menzies, Brian FIN:EX

From:	Corinne Caldwell <ccaldwell@bcrea.bc.ca>
Sent:	Friday, July 29, 2016 8:00 AM
To:	Menzies, Brian FIN:EX; deJong.MLA, Mike LASS:EX
Cc:	Deanna Horn; Robert Laing; Scott Russell; Jim Stewart; Damian Stathonikos; Norma Miller; Melinda Entwistle
Subject:	15% Tax on Foreign Investors - Grandfather Clause for Existing Contract

Brian,

As noted earlier this week by BCREA President Deanna Horn, here's what BCREA has learned about the number of transactions that will be negatively impacted by the implementation of the additional 15% Property Transfer Tax on residential property purchases by foreign nationals:

- According to the Urban Development Institute, up to 3,000 foreign buyers of pre-sale multi-family units could be impacted, valued at approximately $1.6 billion.
- Brokerages within the Real Estate Board of Greater Vancouver and Fraser Valley Real Estate Board areas estimate that about 450 of resale transactions will be impacted by the change, valued at approximately $565 million. That number could be multiplied significantly if domestic sellers have entered into subsequent home purchases that are contingent on the successful completion of a sale to a foreign buyer.

To ensure market stability, consumer confidence and fairness, BCREA strongly urges that Bill 28 be amended to allow for contracts that were entered into before August 2 to be exempt from the additional 15% PTT. We would appreciate a meeting with Minister de Jong to reinforce this request and represent the concerns of REALTORS®.

Kind regards,

Corinne Caldwell, CPA, CA
Chief Financial Officer
British Columbia Real Estate Association
1420 – 701 W Georgia St|PO Box 10123, Pacific Center|Vancouver, BC V7Y 1C6
604.683.7702 | Direct: 604.677.9341| Fax: 604.683.8601 ccaldwell@bcrea.bc.ca

Visit BCREA Online: www.bcrea.bc.ca

Menzies, Brian FIN:EX

From: Hopkins, Jim FIN:EX
Sent: Friday, July 29, 2016 12:28 PM
To: Edwardson, Jamie GCPE:EX; Menzies, Brian FIN:EX
Cc: Mentzelopoulos, Athana FIN:EX
Subject: Fw: BMO Economics FOCUS - feature commentary on new Vanouver house tax
Attachments: focus160729.pdf

fyi...a positive review

Cheers Jim
Sent from my BlackBerry 10 smartphone on the TELUS network.

From: Lewis, Jason FIN:EX <Jason.Lewis@gov.bc.ca>
Sent: Friday, July 29, 2016 11:33 AM
To: Mentzelopoulos, Athana FIN:EX
Cc: Hopkins, Jim FIN:EX; Latham, David FIN:EX
Subject: BMO Economics FOCUS - feature commentary on new Vanouver house tax

Douglas Porter, BMO's Chief Economist, wrote about the Vancouver 15% property transfer tax in their weekly financial digest... He argues his support. The full weekly digest is attached.

Jason Lewis | T: 250-387-7132 | C: 250-507-9439

From: Ruta, Olivier [mailto:Olivier.Ruta@bmo.com]
Sent: Friday, July 29, 2016 11:06 AM
Subject: BMO Economics FOCUS - July 29, 2016

Note: Our website moved to http://economics.bmocapitalmarkets.com
If you haven't already, please update your bookmarks!

BMO Capital Markets Economics
FOCUS: A Weekly Financial Digest
Douglas Porter, CFA, Chief Economist, BMO Financial Group
http://economics.bmocapitalmarkets.com
1-800-613-0205

Friday, July 29, 2016

FEATURE ARTICLE: B.C. Housing: Taxing Times
Douglas Porter, Chief Economist

- U.S. Q2 GDP Disappoints
- Canadian Economy Contracts in May Due to Wildfires
- Fed on Hold, Leans Hawkish
- BoJ Ramps Up ETF Purchases, but Disappoints Expectations
- Oil Prices Fall on Supply Glut

*A PDF of **FOCUS** is attached to this email.*

Focus is also available on our Internet site: http://economics.bmocapitalmarkets.com

View important Disclosure Statements at http://economics.bmocapitalmarkets.com/economics/disclosures.

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We're here to help.

BMO CAPITAL MARKETS ECONOMICS

Focus

A weekly financial digest

Douglas Porter, CFA, Chief Economist, BMO Financial Group

July 29, 2016

Feature Article
Page 8

B.C. Housing: Taxing Times

U.S. Q2 GDP Disappoints

Canadian Economy Contracts in May Due to Wildfires

Fed on Hold, Leans Hawkish

BoJ Ramps Up ETF Purchases, but Disappoints Expectations

Oil Prices Fall on Supply Glut

BMO Capital Markets Economics
economics.bmocapitalmarkets.com • 1-800-613-0205
Please refer to page 18 for important disclosures

Page 063 to/à Page 079

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Menzies, Brian FIN:EX

From: Ross, Kara L PREM:EX
Sent: Tuesday, August 2, 2016 10:32 AM
To: OfficeofthePremier, Office PREM:EX
Subject: FW: Real Estate Board of Greater Vancouver letter to Premier Clark
Attachments: Letter to Premier Clark - July 2016.pdf

Policy, refer to Minister please

From: OfficeofthePremier, Office PREM:EX
Sent: Thursday, July 28, 2016 1:29 PM
To: Ross, Kara L PREM:EX; Sketchley, Rani AVED:EX
Cc: Gjoka, Ina PREM:EX
Subject: FW: Real Estate Board of Greater Vancouver letter to Premier Clark

From: Andrea Westaway [mailto:awestaway@rebgv.org]
Sent: Thursday, July 28, 2016 1:20 PM
To: OfficeofthePremier, Office PREM:EX
Cc: Craig Munn
Subject: Real Estate Board of Greater Vancouver letter to Premier Clark

Dear Premier Clark,

Attached find a letter on behalf of Dan Morrison, president of the Real Estate Board of Greater Vancouver. His letter is in response to your recent announcement regarding the 15 per cent foreign buyer tax.

He can be contacted via email at president@rebgv.org

Sincerely,

Andrea Westaway
Administrative Assistant - Communications
Real Estate Board of Greater Vancouver
2433 Spruce St, Vancouver BC
604-730-3022
awestaway@rebgv.org

REAL ESTATE BOARD
OF GREATER VANCOUVER

July 28, 2016

The Honourable Christy Clark
Premier
Province of British Columbia
PO BOX 9041 STN PROV GOVT
Victoria BC V8W 9E1

Dear Premier Clark,

Implementing a new real estate tax with just eight days' notice is causing unnecessary stress and volatility in our housing market.

Since your announcement on Monday to implement a 15 per cent foreign buyer tax as of August 2, the more than 12,800 Realtors in Metro Vancouver I represent have been scrambling. They've been scrambling to help frantic home sellers and buyers understand what this abrupt market intervention means to their personal and financial situation.

Your decision not to exempt transactions where home sellers have an accepted contract in place, with a non-Canadian buyer, that will not close before August 2 is harming numerous BC residents.

There are downstream effects to this tax that your government may not have originally intended. For example, many of the sellers caught in this predicament have already agreed to buy another home with the proceeds from the sale of their home. These deals are also now in limbo. The people involved are concerned about possible litigation and financial ruin.

I have also heard numerous stories about how your announcement has turned the lives upside down for many non-Canadians who were planning to move to Metro Vancouver. Foreign buyers are not just the shadowy billionaires that you read about in the media. The issue is more complex than that. While it's your prerogative to tax non-Canadian home buyers, they deserve to be treated fairly as well. People have a right to understand the cost they're expected to pay when they enter into a legal and private agreement.

I urge the government to help these people as they struggle to complete the most important financial transaction of their lives and exempt from the tax any accepted real estate contracts that were binding prior to the government's July 25 announcement. With respect to the new Housing Priority Initiatives Fund, we recommend that these tax revenues, derived from home sales in Metro Vancouver, be used only to fund housing-related projects in Metro Vancouver.

- Continued

2433 SPRUCE STREET, VANCOUVER, B.C. V6H 4C8 | PHONE (604) 730-3000 | FAX (604) 730-3100 | WWW.REALTYLINK.ORG | WWW.REBGV.ORG

Housing affordability concerns all of us who live in the region. For generations, the Real Estate Board of Greater Vancouver has worked with governments at all levels to identify policies that help home owners, buyers and sellers in our region. We've championed various affordable housing initiatives, as you'll recall from our pre-budget submissions that we provide your government each year.

We would like to work with you over the long term to find progressive and reasoned solutions to the affordability challenges. In the short term, we would like to speak with you as soon as possible to discuss mitigating the harm that the implementation of this tax will cause.

Sincerely,

Dan Morrison
President
Real Estate Board of Greater Vancouver
CC: Finance Minister Michael de Jong.

Menzies, Brian FIN:EX

From:	Chin, Ben PREM:EX
Sent:	Wednesday, August 3, 2016 7:55 AM
To:	Wolford, Jessica GCPE:EX; Gordon, Matt GCPE:EX; Mills, Shane PREM:EX; Smart, Stephen PREM:EX; Menzies, Brian FIN:EX
Subject:	Fw: CKNW: Bula - Rennie's knowledge of tax

Bula on Drex yesterday...full transcript is below s.13
s.13

Bula: And he isn't saying that he didn't say those things to me. What he's saying is, they're being misinterpreted. When he said "I knew that they were going to do this," he's saying to me now, as an extra explanation, you just had to look at what was going on, they had brought in a vacancy tax. Obviously that wasn't just going to be the only measure that they were going to take. There had to be something else going on.

I do know he had said to me several months ago, you know, I think they're going to bring in a foreign buyers tax. And when I heard it that time, that was clearly speculation. In this case, I didn't ask him anything more about it.

And two:

So do you believe Mr Rennie when he says oh no, I didn't mean that? I just meant I was guessing they were going to. Do you believe him?

Bula: All I know is my notes are... I should have pursued it, and it's not clear in my notes, but it did sound to me like he was saying "I knew." And his explanation and what I've heard from other people who cover government is that it is very unlikely that such a contentious piece of information would be given out to anyone. So I have to say I'm as perplexed as all of you, in spite of all the conversations. [xrz]

Ben Chin
Executive Director
Communications and Issues Mgmt
Office of Premier Christy Clark
250.588.3113

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Gordon, Matt GCPE:EX <Matt.Gordon@gov.bc.ca>
Sent: Wednesday, August 3, 2016 7:42 AM
To: Chin, Ben PREM:EX

Subject: FW: CKNW: Bula - Rennie's knowledge of tax

Matt Gordon
Assistant Deputy Minister
Corporate Priorities & Communications Operations
Government of British Columbia
250 356.7398 office | 250 896.4923 mobile

From: tno@gov.bc.ca [mailto:tno@gov.bc.ca]
Sent: Wednesday, August 3, 2016 7:35 AM
Subject: CKNW: Bula - Rennie's knowledge of tax

CKNW (Vancouver)
CKNW Lynda Steele
02-Aug-2016 16:36

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Page 085 to/à Page 087

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Menzies, Brian FIN:EX

From:	John Horgan <ndp=leg.bc.ca@mail54.atl31.mcdlv.net> on behalf of John Horgan <ndp@leg.bc.ca>
Sent:	Wednesday, August 3, 2016 9:25 AM
To:	Menzies, Brian FIN:EX
Subject:	Last Week This Morning with John Horgan #43

Weekly Newsletter | Issue #43 | BCNDP Leader John Horgan   View this email in your browser

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LAST WEEK THIS MORNING WITH JOHN HORGAN

Dear Brian,

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Page 089 to/à Page 091

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ADVICE TO MINISTER

CONFIDENTIAL *DRAFT* GCPE-FIN ISSUE NOTE **Ministry of Finance** RECORD OPR: GCPE Finance **Date: August 31, 2016** **Minister Responsible: Michael de Jong**	**TD RBC Reports Vancouver Housing**

DRAFT

ADVICE AND RECOMMENDED RESPONSE:

- **It's too soon to conclude how the real estate market has responded to the additional tax.**
- **As part of Budget 2016, government committed to collecting data that identified foreign purchasers in order to better understand the extent of foreign capital in residential real estate.**
- **Until changes were made to the property transfer tax return to require transferees to provide citizenship information, no conclusive data was available.**
- **This data will allow us to monitor any changes in the volume of foreign investment into Metro Vancouver residential real estate on an ongoing basis.**
- **We expect to be able to release the next data set by mid-September, covering the second half of July and the month of August. This may give us an initial indication what effect the additional tax may be having.**
- **As time goes on, we will have a better sense of how the market responds and will be able to better assess the effect of the tax over a longer-term.**
- **The intent of the additional tax is to slow the rate of price growth and cool demand while Metro Vancouver's housing market responds by building new homes to meet local needs.**

KEY FACTS REGARDING THE ISSUE:

TD Economics report released August 30, 2016: "All Eyes on Toronto and Vancouver"

- Home prices are projected to decline by about 10% in the Vancouver region by mid-2017 before stabilizing later in the year, but average prices will still be above the levels seen 1-2 years ago
- Evidence of this cooling trend was seen before the implementation of the additional PTT

- July home sales were 20% lower than one year prior
  - Resale and new housing supply appeared to have started to respond to price strength
  - New housing under construction was at record highs in early 2016
- The trend will be reinforced by the additional PTT
  - TD Economics modelling shows the additional PTT and the proposed vacancy tax could reduce sales activity by 10-15% in the Vancouver region over the next six months
- Vancouver's market is expected to experience a "soft landing" – a less severe, more drawn out period of sub-par activity
- Vancouver is likely home to a large group of buyers who were previously priced out of the market, but are ready to jump in once prices fall
- Once the impact of the tax fades (experience in other jurisdictions points to a temporary effect), these buyers could potentially heat things up again
- Price growth is predicted to resume at a modest pace
- Supply side barriers are an impediment to housing affordability (lengthy permitting processes, inefficient property tax and development charge systems as well as land policies)
- TD applauds the creation of the federal-provincial-municipal working committee "which plans to look at housing as a system rather than looking exclusively at home ownership or affordable rental"

RBC Economics Report released August 2016: "Housing affordability tensions intensified in Canada's hot markets in Q2/2016:

- RBC predicts the additional PTT could signal a shift in provincial housing policy toward a more active role in cooling the Vancouver housing market.
- Resales in the Vancouver area had already started to fall prior to the announcement of the additional PTT, but could fall further in the near-term if the additional PTT triggers lower future price expectations and reduces speculative activity.
- RBC reports that during Q2/2016, the Victoria market saw resales fall by more than 10% this spring, a trend that could be reversed by the additional PTT in Vancouver if foreign buyers consider alternatives to the Vancouver housing market.
- Over the past year, Vancouver's unaffordability reached record levels. By RBC's measure, it would take nearly 127% of the median pretax household income to cover the costs of owning a typical single-family house, up 29 percentage points from a year ago.

Communications Contact:	Sonja Zoeller	387-1248
Program Area Contact:	[Program staff name]	[phone#]
File Created:	August 31, 2016	
File Updated:		
File Location:	J:\NEW - OPERATIONS\Issues Notes\Housing affordability	

Program Area	Comm. Director	Deputy	Minister's Office

ADVICE TO MINISTER

Menzies, Brian FIN:EX

From:	Edwardson, Jamie GCPE:EX
Sent:	Wednesday, September 7, 2016 2:04 PM
To:	Chandler, Penelope E FIN:EX; Edwardson, Jamie GCPE:EX; Keirstead, Zoe FIN:EX; McLachlin, Jessica GCPE:EX; Menzies, Brian FIN:EX; Miniaci, Mario FIN:EX; Snider, Marty C FIN:EX
Cc:	Mentzelopoulos, Athana FIN:EX
Subject:	Draft response -- NDP letter and release
Attachments:	Scan_20160907.pdf
Importance:	High

Mario as discussed let me know if this is what you're looking for, and if the minister wants to make himself available. One request so far from News 1130, but PCC's use of the word Bubble has been getting attention on CKNW as well.

s.13

From: Dave White (News1130) [mailto:dave.white@news1130.rogers.com]
Sent: Wednesday, September 7, 2016 1:33 PM
To: Edwardson, Jamie GCPE:EX
Subject: copy of NDP letter and release

NEWS RELEASE

For Immediate Release
Sept. 7, 2016

Foreign buyers' tax does nothing for affordability, needs to be fixed: Horgan

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John Horgan, Leader
Official Opposition
Parliament Buildings
Victoria, BC V8V 1X4
Phone: 250 387-3655
Fax: 250 387-4680

Juan de Fuca Community Office:
122 - 2806 Jacklin Road
Victoria, BC V9B 5A4
Phone: 250 391-2801
Fax: 250 391-2804

Province of
British Columbia
Legislative Assembly

John Horgan, MLA
(Juan de Fuca)

September 7, 2016

RECEIVED
SEP - 7 2016
EXECUTIVE
OFFICE OF THE PREMIER

Premier Christy Clark
West Annex
Legislative Buildings
Victoria, BC V8V 1X4

Dear Premier Clark:

Your Government stood idly by and allowed our housing market to overheat. It is now clear that you chose to allow the real estate market to escalate unsustainably to serve the interests of your political donors at the expense of ordinary British Columbians.

Once it became apparent that the dream of home ownership had vanished for many residents, your government rushed in ill-considered legislation without fully considering the consequences. While action was obviously needed and badly overdue, your measure does not achieve the balance and precision that one would expect from a more thoughtful approach to tax policy.

The Official Opposition has been raising concerns about the distorting effects that international capital is having on the BC real estate market for more than two years, but your government ignored the impending crisis.

During that time, you insisted that those who could not afford to live in the Lower Mainland should move to Northern British Columbia. Your colleague, Finance Minister Michael de Jong, insisted that price increases in BC real estate were limited to the west side of Vancouver and Housing Minister, Rich Coleman suggested that Vancouver was actually quite affordable.

Unfortunately while you and your colleagues were denying the very existence of a problem in the Lower Mainland real estate market, conditions worsened. Moreover, in the month since your government passed the hastily written Bill 28, we have seen numerous reports about the many ways in which your tax on foreign nationals is both failing to address the real problems facing Lower Mainland residents and creating significant unintended consequences.

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During debate on Bill 28, my colleague David Eby proposed several amendments to the tax that we believe will have a meaningful impact on affordability in the Lower Mainland. While you rejected those amendments out of hand, subsequent developments have both validated those concerns and underscored the need for significant improvements.

First, we proposed amending Section 3 of the bill to define "foreign national" as an individual who has not paid his or her worldwide income tax in British Columbia for the most recent complete taxation year. It is now clear that such a change would significantly extend the reach of the tax to individuals who may have residency status in British Columbia, but who derive their primary income from foreign jurisdictions. This amendment would make the tax more effective and ensure that its effect was focused on individuals' income sources rather than on their nationalities.

Second, we proposed that the Bill be amended in section 3 by redefining "foreign national" to exempt individuals who hold federal or provincial work permits. It is now clear that your tax on foreign nationals has effectively penalized individuals who are working and paying taxes in British Columbia but who continue to hold foreign passports. This measure is both discriminatory and counterproductive in that it effectively punishes people with unique skills such as visiting university professors and international researchers who are critical to building an educated workforce. Worse still, your Bill makes it even harder for growing BC companies to recruit international talent to the Lower Mainland.

Third, we proposed that the Bill be amended in section 3 to remove the loophole that allows foreign capital to use bare trusts to avoid the current or amended property transfer tax. We can only assume that you chose to leave this well-known loophole in place in an effort to encourage the sale of commercial and multi-unit residential properties to international buyers. However given the crisis in the Lower Mainland rental market, this measure makes little sense and creates an uneven playing field for those who have the financial wherewithal to establish and administer bare trusts.

Your inaction over the past two years has created a crisis in the Lower Mainland real estate market. Your inaction has made it nearly impossible for average British Columbians to find a home to buy or rent in the Lower Mainland. I also share the concern of many people that your narrow geographic focus with the new tax may now drive the problem to other areas of the province. On August 7 you publicly described the Metro Vancouver housing market as a "bubble" and finally admitted "there's a real affordability crisis" for the people of British Columbia, but your government's policies have done nothing to make housing more affordable.

With that in mind, I strongly encourage you to take steps to remedy the shortcomings in Bill 28 during the scheduled fall sitting of the legislature.

Sincerely,

John J. Horgan

John Horgan, Leader
New Democrat Official Opposition