
NEWS RELEASE

For Immediate Release
2016PREM0025-000427
March 18, 2016

Office of the Premier

Province to address “shadow flipping” abuse in real estate transactions

VANCOUVER – Premier Christy Clark has announced British Columbia is taking further action on realtor conduct, conflict of interest and housing affordability.

- In the coming weeks, government will put new rules in place to prevent the potentially predatory practice of real estate contract assignment– so-called “shadow flipping.”
- Government looks forward to the Real Estate Council’s independent advisory group recommendations on licensee conduct and potential conflict of interest, such as dual agency representation where one licensee acts for both the seller and buyer in a transaction.
- Finance Minister Michael de Jong and Deputy Premier Rich Coleman will meet with Vancouver Mayor Gregor Robertson to discuss collaborative steps governments can take to further improve affordability in Vancouver.

Real estate contract assignment– dubbed “shadow flipping” in media reports – refers to the practice where some real estate licensees and some purchasers have taken advantage of rapidly rising prices by using assignment clauses to acquire a client’s home then assign the contract to a third party for a profit. New provincial rules will prevent the abuse of assignment clauses by requiring the express consent of the seller and mandating that any profits from assignments are returned to the home-owner.

The Real Estate Council of British Columbia is responsible for enforcing the licensing and licensee conduct requirements of the Real Estate Services Act and the real estate services regulation. The Province expects the council’s Independent Advisory Group will examine whether the current regulatory regime is adequate to protect consumers and the wider public interest.

The Province looks forward to recommendations that will improve the rules and requirements on licensee conduct to better protect consumers, as well as recommendations to improve administration and enforcement.

To take further action on affordability, de Jong and Coleman will meet with Robertson to discuss collaborative steps governments can take to help increase market and rental housing supply, reduce red tape and investment costs. That conversation will then be broadened to other local governments and the Union of British Columbia Municipalities for a broader, more provincial discussion.

With increasing demand for housing from a strong economy and steady population growth, and restricted supply of single-family homes, prices for single family in most areas of Greater Vancouver have increased between 45% and 70% over the last five years. Prices for multi-family

homes, in contrast, have increased between 14% and 40%. The most-recent data show there are about as many single family dwellings in the Vancouver census metropolitan area as in 1991, while the number of condominium units doubled in that time.

In Budget 2016, the Province changed the Property Transfer Tax to help the market respond to mounting demand for housing. The Newly Built Home Exemption offers an incentive for buyers to purchase new construction priced up to \$750,000, by providing property transfer tax relief up to \$13,000.

Budget 2016 includes measures to provide more affordable housing options for lower-income earners. Capital spending of \$355 million over five years will support the construction or renovation of more than 2,000 affordable housing units in communities throughout the province.

Quotes:

Premier Christy Clark –

“In a fast-rising market, some individuals seek to profit at the expense of homeowners and buyers. Today's steps address immediate concerns while the Real Estate Council's independent advisory group conducts its review and brings forward further recommendations on practices in the market. We will work with the City of Vancouver, and then other local governments and the UBCM, on housing affordability issues such as supply and taxation.”

Vancouver Mayor Gregor Robertson –

“The provincial government's move to prevent ‘shadow flipping’ is a good first step to reduce the unhealthy speculation that is taking place in our housing market. As Vancouver's economy grows, we need to make sure that our housing is first and foremost for homes, not to be treated as a commodity. Vancouver City Hall will continue to seek out every option to both protect and increase affordable housing, and I look forward to meeting with the ministers to discuss new tools for both the Province and cities to do so.”

Scott Russell, president BC Real Estate Association –

“BCREA supports strategies that prevent questionable or unethical activities by real estate agents. While the vast majority of agents in British Columbia work diligently for the best interests of their clients, we applaud the provincial government for taking action to ensure all buyers and sellers are protected.”

Quick Facts:

- On average, private-sector forecasters expect B.C.'s economic growth to rank first among provinces in 2016 and tie for first in 2017 (with Ontario).
- The Lower Mainland is growing at a rapid pace. BC Stats estimates that the population of Metro Vancouver will grow by about 185,000 people over the next five years.
- As a result, pressure on the housing and rental markets will continue to increase if steps are not taken to increase densification and ensure an adequate supply of new housing.

Learn More:

The Real Estate Council of British Columbia has established an independent advisory group to review rules governing licensee conduct: <http://www.advisorygroupbc.ca/>

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Connect with the Province of B.C. at: www.gov.bc.ca/connect

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Q and A

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Assignment Clauses

1. Who has government consulted about this issue?
 - Government has heard from members of the public that are concerned about the conduct associated with assignment clauses in the real estate market.
 - By taking decisive action the Province is ensuring that consumers are protected and that the practices of some realtors don't further fuel an already heated housing market.
2. How big of a problem is this? How many transactions saw this kind of conduct last year?
 - There is no mechanism available to collect data about the prevalence of contract-assignment.
3. What prompted government to act on this now, rather than two/three weeks ago when the news story broke?
 - The Province does not take increasing regulation lightly. It is important that we fully understand the complexities at play before making regulatory changes, so that we ensure unintended consequences do not arise.
 - There are legitimate and beneficial uses of assignment clauses in real estate contracts, and government needs to ensure those uses are not affected by these changes.
4. Why are you not waiting for the outcome of the RECBC IAG?
 - The Province looks forward to receiving the recommendations of the independent advisory group established through the Real Estate Council of BC.
 - Members of the group are recognized experts in their field and will undoubtedly contribute to our understanding of the issues around professional conduct of the real estate industry.
 - The Real Estate Council of British Columbia is responsible for enforcing the licensing and licensee conduct requirements of the Real Estate Services Act and the Real Estate Services Regulation. The Province expects the council's Independent Advisory Group will examine whether the current regulatory regime is adequate to protect consumers and the wider public interest.
 - The Province looks forward to recommendations that will improve the rules and requirements on licensee conduct to better protect consumers, as well as recommendations to improve administration and enforcement.
5. Why even establish the IAG if you are now acting unilaterally?
 - The Province expects the council's Independent Advisory Group will examine whether the current regulatory regime is adequate to protect consumers and the wider public interest.
 - The Province looks forward to recommendations that will improve the rules and requirements on licensee conduct to better protect consumers, as well as recommendations to improve administration and enforcement.

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6. What about beneficial uses of assignment clauses in real estate? (Such as when a buyer has had a change in personal circumstances and needs to back out of a contract.)
 - The new rules will prevent the abuse of assignment clauses by requiring the express consent of the home-owner and mandating that any profits from the assignment are returned to the home-owner.
 - Contract assignment will still be available as an option, so long as any profit that results from the assignment accrues to the home-owner.
7. Why are you not taxing the proceeds of assignment transfers with the property transfer tax?
 - The property transfer tax is triggered when ownership of land is registered at the land title office.
 - The nature of assignment transfers precludes the application of the property transfer tax, because the tax applies when title is registered.
8. The problem identified by the Globe and Mail included realtors themselves acquiring their client's home and then assigning it to a new buyer – will you ban the purchase of a client's house by a realtor? What about when a realtor colludes with a non-licensee to buy the property and resell?
 - We expect the council's Independent Advisory Group will examine whether the current regulatory regime is adequate to protect consumers and the wider public interest.
 - The Province looks forward to recommendations that will improve the rules and requirements on licensee conduct to better protect consumers, as well as recommendations to improve administration and enforcement.

Dual Agency Representation

9. Who has government consulted about this issue?
 - Government has heard from members of the public that are concerned about the potential for conflicts of interest in real estate transactions.
 - Government looks forward to the Real Estate Council's Independent Advisory Group recommendations on licensee conduct and potential conflict of interest, such as dual agency representation where one licensee acts for both the seller and buyer in a transaction.
10. Is it government's position that dual-agency is driving up housing prices?
 - A fast-moving market with limited supply like we are seeing in Vancouver opens the door to the potential for inappropriate conduct by individuals looking to profit personally at the expense of their clients.
 - The Province looks forward to recommendations that will improve the rules and requirements on licensee conduct to better protect consumers, as well as recommendations to improve administration and enforcement.

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11. Why not just make the legislative changes?

- The Real Estate Council of British Columbia is responsible for enforcing the licensing and licensee conduct requirements of the Real Estate Services Act and the Real Estate Services Regulation.
- The Province expects the council's Independent Advisory Group will examine whether the current regulatory regime is adequate to protect consumers and the wider public interest.
- The Province looks forward to recommendations that will improve the rules and requirements on licensee conduct to better protect consumers, as well as recommendations to improve administration and enforcement.

12. Aren't there already a lot of restrictions around the use of dual agency?

- Dual agency relationships are currently permitted under the professional conduct standards set out by the Real Estate Council of BC as long as all parties are aware of and agree to the arrangement.
- In a market as active as we have seen in the Lower Mainland, dual agency representation creates serious concerns about consumer protection. Buyers and sellers should each have the confidence their real estate agent is acting with their best interest in mind.

13. Why not allow people to make their own decision about whether they want to use a buyer's agent?

- Dual agency relationships rarely benefit the buyer or the seller in a real estate transaction, and the Province is concerned that in most cases buyers and sellers may not fully understand the implications of such an arrangement.
- Consumer protection must be paramount and this is why the Province is looking for the advice and recommendations of the council's Independent Advisory Group.

Meeting with Vancouver Mayor

14. Will there be representation from the federal government at the meeting? Why not?

- The Province is engaging with the federal government on issues related to housing affordability.
- This particular meeting is an effort to collaborate with the local authority in Vancouver, where the housing affordability issue is most prominent.
- That said, housing affordability is an issue that requires action from all levels of government. We need to work together to ensure policies and regulations encourage construction of affordable new housing, particularly multi-family housing.
- We look forward to continuing these discussions with other local governments, UBCM, as well as the federal government, in coming weeks and months.

15. Will there be representation from other mayors in Metro Vancouver?

- This particular meeting is an effort to collaborate with the local authority in Vancouver, where the housing affordability issue is most prominent.
- That said, housing affordability is an issue that requires action from all levels of government. We need to work together to ensure policies and regulations encourage construction of affordable new housing, particularly multi-family housing.

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- We look forward to continuing these discussions with other local governments, UBCM, as well as the federal government, in coming weeks and months.
16. When will the meeting take place?
- Details are still be finalized with the Mayor's Office and will be communicated as soon as they are available.
17. What will be the agenda/terms of reference?
- Details are still be finalized with the Mayor's Office and will be communicated as soon as they are available.
18. Will media and public be allowed to attend the meeting? Why not?
- This meeting is intended to be a focused discussion on the real issues surrounding housing affordability, without political interference.
 - The content of the discussions and the outcome of the meeting will certainly be made public.
19. Do you expect to reach consensus with the mayor, or will the result just be more finger-pointing?
- Our intention for inviting the Mayor to meet with us is to identify concrete measures both levels of government can implement to address the housing affordability issue in the region.
 - We are going into this meeting with open minds and a focus on collaboration.
20. Is the Province going to force Metro Vancouver to change its zoning bylaws?
- No. The Province fully respects municipal autonomy and has no intention of infringing upon that.
 - However, we do hope the Mayor will bring constructive and collaborative ideas to the table.
 - Housing affordability is an issue that requires action from all levels of government. We need to work together to ensure policies and regulations encourage construction of affordable new housing, particularly multi-family housing.
21. What impact will this have on local government autonomy?
- None.
 - Both levels of government have a role to play and our intention with this meeting is to ensure our policies are working harmoniously.
22. Why has it taken this long for the two levels of government to collaborate on a solution to the housing crisis?
- Discussions about housing affordability among the two levels of government have been ongoing for some time.
 - We are now in a position to have an official discussion of the future of Vancouver's housing market.
23. What evidence does the Province have that densification will solve the housing problem?

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- Data shows that the supply of single-family dwelling in the Vancouver census metropolitan area has remained stagnant since 1991, while the number of condominiums has doubled in that time. As a result, prices for single-family homes have increased by up to 70% over the last five years, whereas prices for multi-family homes have increased by up to only 40%.
- There is broad consensus among academics, policy analysts, and economists that additional densification is required in order to improve housing.

24. Will densification erode Vancouver's sense of community and unique neighborhoods?

- No. Increase densification does not translate to a loss of community.
- Cities around the world have vibrant communities and unique neighborhoods despite increased densification.
- Vancouver has benefited from tremendous investment and growth in recent years and is consistently recognized as one of the most desirable places to live in the world. According to BC Stats, the population of Metro Vancouver is expected to grow by about 185,000 people over the next five years.
- Sustainable solutions that preserve Vancouver's character while ensuring there are appropriate housing options for everyone are attainable.

25. The Vancouver mayor has called for a tax on speculation and vacant housing – are you open to those proposals?

- The Province is not considering measures that would reduce the value of people's assets and prevent sellers from obtaining a fair market price.
- In addition, we continue to welcome people from all over the world to invest in B.C. and put down their roots here.
- In a city as desirable and land-constrained as Vancouver, an essential way to promote appropriate housing options for income earners at all levels is to encourage densification.

26. How much are you prepared to invest in new rental housing – how much money are you prepared to bring to the table?

- Budget 2016 includes measures to provide more affordable housing options for lower-income earners. Capital spending of \$355 million over five years will support the construction or renovation of more than 2,000 affordable housing units in communities across the province.