**From:** Bob de Wit

**To:** Membership at GVHBA

**Subject:** SPECIAL BULLETIN: PROV"L BUDGET

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**Importance:** High

Today, the Government of British Columbia announced a “Homes for BC” 30-point plan: <http://bcbudget.gov.bc.ca/2018/homesbc/2018_Homes_For_BC.pdf>

The plan is wide-ranging and extensive, with policy changes on both the demand and supply side of the housing equation. As expected, most of the measures are focused on improving the state of the rental and non-market segments of the housing market. As feared, other measures, depending on how they are implemented, may lead to the worsening of affordability for market housing. Here are the highlights:

Demand-side policy changes:

* A “bold new” speculation tax on residential property paired with income tax credits for residents to offset it. In 2018, the tax rate will be $5 per $1,000 of assessed value. In 2019 and beyond, it will be $20 per $1,000 of assessed value. The new tax will apply to Metro Vancouver, Fraser Valley, Capital and Nanaimo Regional Districts, and in the municipalities of Kelowna and West Kelowna.

*NOTE: What is unclear with this new measure is how land purchased for the purposes of development will be treated, since businesses and individuals have different taxes. For example, at the 2019 tax rate, if land valued at $10 million for the purpose of development is not able to qualify for an exemption, it would be charged a tax of $200,000. This can seriously impact housing affordability if these costs are not exempted in some way. CHBA BC will be following up with the appropriate ministries to discuss implementation details.*

* Increase of the foreign buyers’ tax to 20% from 15% and applying it to Metro Vancouver, Fraser Valley, Capital and Nanaimo Regional Districts, and in the municipalities of Kelowna and West Kelowna. The new tax will *not* be applied to existing contracts (i.e. not retroactive).
* Increase in the property transfer tax (PTT) to 5% from 3% on the portion of home values over $3 million.
* Increase of the annual school tax rate on the portion of home values over $3 million. The tax rate increase, only on the portion above $3 million, will be 0.2 per cent on the portion of residential assessed value that exceeds $3 million but does not exceed $4 million, and a tax rate of 0.4 per cent applies to the portion of residential assessed value that exceeds $4 million.

*NOTE:* *We understand that the changes will also be applied on land parcels used for development. Clearly this does not support the goal of improved affordability of market- housing.*

* Developers will be required to provide pre-sale contract information to the province whenever an assignment occurs. A new provincial database managed by “a designated provincial office” will be established to collect the data and then share it with provincial and federal tax agencies to check for tax compliance. There is a clear signal, too, that additional future taxes will be applied to assignments.
* Strengthening of provincial auditing and enforcement powers, including additional buyer information and disclosure for pre-sales, the provincial transfer tax and the Homeowner Grant application process.
* Review tax treatment of residential property in the Agricultural Land Reserve as part of a broader review of the ALR to ensure land in the ALR is being used for farming.

Supply-side policy changes:

* Significant investments in “affordable housing,” including over $6 billion for 114,000 affordable homes, 14,000 rental units for the “missing middle,” and additional units for homelessness, women fleeing violence, students and Indigenous people.
* Increases to the Shelter Air for Elderly Parents (SAFER) and Rental Assistance Program (RAP).
* Over $1 billion over 10 years for seismic, fire-safety, and energy-efficient retrofits for social housing units.
* Encourage more rentals with property tax exemptions for purpose-built rentals, and work with the federal government to find more incentives.
* Increasing density for affordable housing around transit stations.
* A “HousingHub” will be created within BC Housing to facilitate partnerships between groups in the housing sector; to find and develop or re-develop land for affordable housing. This Hub will also serve to support owners who are not familiar with development to create affordable housing where it is possible.

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