



EXECUTIVE SUMMARY

British Columbia needs to change its approach to housing policy.

We need actions to address the key issues behind the current crisis in affordability.

These issues are:

1. *Too little rental housing is being built*

For decades, British Columbia and federal housing policy has placed a priority on homeownership. Current housing price levels are forcing a new approach as homeownership is simply out of reach for many households across the province, whether in urban centres, resource dependent communities or tourist dependent communities. Building additional purpose-built rental housing will increase the variety of housing options for British Columbians and presents a viable short to mid-term approach to improving affordability.

2. *Housing prices need to be stabilized*

Available data suggest that housing prices have been driven up by investor demand and speculation. While this has created wealth for existing homeowners, it has also placed the possibility of purchasing a home out of reach for many British Columbians. This in turn creates pressure on the rental stock and other forms of housing, increasing competition for an ever-smaller number of units for moderate to low-income individuals and families. All too often these options run out and too many people face the reality of homelessness. People deserve housing options aligned with incomes in their communities. Taxation measures to address both foreign and domestic speculation should be considered to stabilize housing prices.

3. *Too many people become homeless and stay homeless for too long*

While appropriate services must be provided to those who are currently homeless, research suggests that relying primarily on such services while ignoring pathways into and out of homelessness is both expensive and ineffective. Effectively addressing homelessness will require a broader perspective, encompassing poverty reduction and mental health, among other factors.

4. *All orders of government need to work together*

Governments, be they federal, provincial or local, have not fully gauged the magnitude of this issue as it has been building. It is now at a scale where all orders of government are going to need to creatively and collaboratively use the full array of tools available to them. As part of this, we recognize the need for local governments to be ready, willing partners in finding solutions.



We have identified four major policy shifts as priority action areas that span a continuum from addressing homelessness, through to creating substantial new rental housing stock, and stabilizing the ownership market so that the possibility of homeownership once again becomes realistic for a greater number of British Columbians:

1 *A Rental Housing Strategy*

This would substantially increase the amount of rental housing available to British Columbians over the next decade. We agree that the provincial government's stated commitment of 114,000 units over 10 years is approximately what is needed, and provide recommendations for how this can be done while respecting the diverse needs of local communities.

2 *A Demand Management Strategy*

The purpose of this strategy would be to adopt an evidence-based approach to address both foreign and domestic speculation. This approach should have the short-term goal of stabilizing housing prices, and the long-term goal of increasing the diversity of housing options to ensure that affordable options are available to British Columbians.

3 *A Comprehensive Homelessness Strategy*

The emphasis of this strategy is to prevent, not manage, homelessness, through comprehensive measures to address poverty, mental health, addiction and other key drivers of homelessness. It would be designed around substantially reducing the number of people who are homeless by reducing pathways into homelessness and increasing pathways out of homelessness while continuing to provide appropriate services to those who are currently homeless.

4 *An All Government Approach Towards Housing Affordability*

Local governments welcome the direction and commitments that the federal and provincial governments are now making in housing. Local governments understand the diverse needs at the community level and are here to collaborate and advance housing with the federal and provincial governments for the provision of affordable housing solutions.

In implementing these shifts, we emphasize the importance of retaining local choice, to ensure that the specific needs of individual communities are met.



2. MANAGING SPECULATIVE DEMAND

The narrative surrounding the affordability crisis has in recent years been almost exclusively framed as deriving from limits on housing supply. This argument has intuitive appeal because it points towards the supposedly simple solutions of reducing development processing times and associated fees (see above topic boxes). What it ignores is a substantial body of evidence built up over a decade highlighting the role of speculative demand – both foreign and domestic – in driving prices upwards. This not only impacts home ownership, but by driving ownership out of the reach of many households, it creates additional pressure on already limited rental and affordable housing stocks, resulting in a ripple effect across the housing continuum.

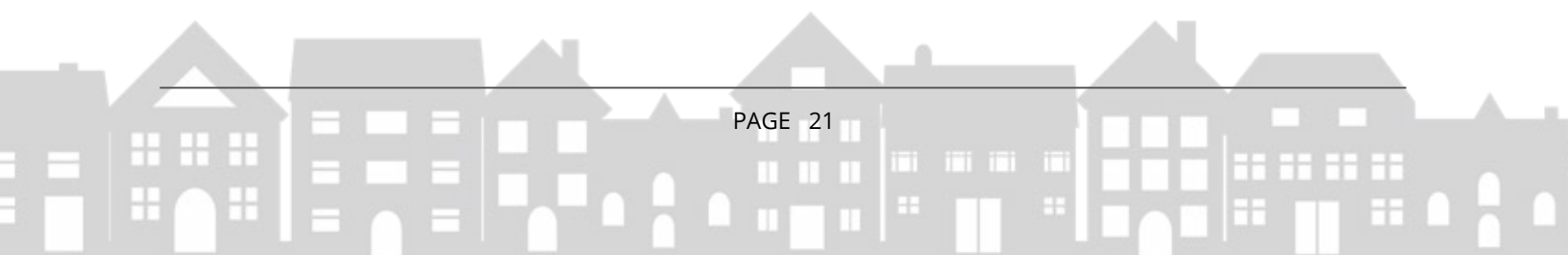
Because excessive demand is driven by global flows of capital looking for a place to park, it is not a problem unique to B.C.⁴, but has also driven prices upwards in global city regions such as London, Singapore, Melbourne and others. This in turn has led to an international body of policy development and research that can be drawn upon when considering the effectiveness of alternative policy solutions.

This body of evidence points towards three interrelated policy directions:

1. The effectiveness of taxation tools in moderating prices.
2. The likely need to employ multiple tools and/or make adjustments over time to ensure the desired impacts and balance the following objectives:
 - a. ensuring a soft landing for investors that have a substantial portion of their savings tied up in real estate,
 - b. minimizing the impact of increased transaction costs on those truly in need of increased affordability,
 - c. closing loopholes to limit tax avoidance,
 - d. potentially expanding the geographic scope of implementation to limit spill-over effects between regions, and
 - e. potentially adjusting rates upwards to address weakening impacts over time as a tax becomes viewed as a cost of business.
3. The need for high quality data to guide decision-making and policy development.

In recognition of these policy directions, it is recommended that the federal and provincial governments follow an evidence-based approach to demand management that includes the following components:

- **2.1 Taxation tools to address speculation-** These tools should be adopted with the short-term goal of stabilizing prices, and the long term goal of increasing the diversity of housing options to ensure that affordable options are available to British Columbians:

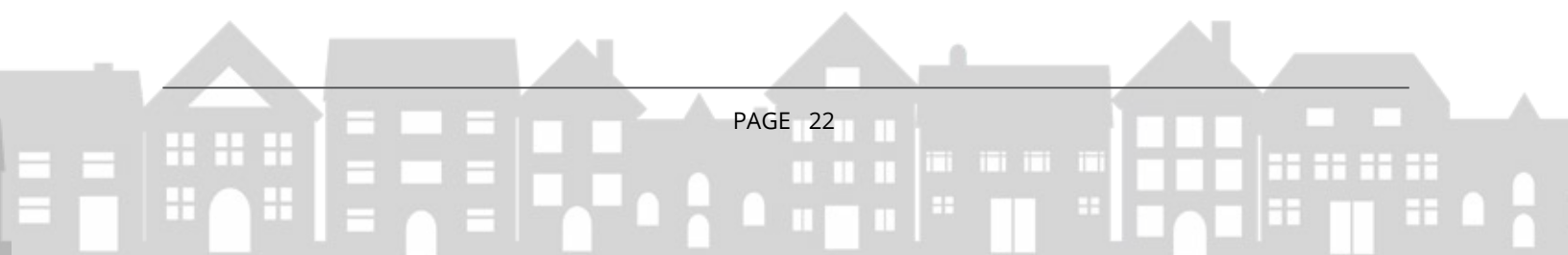




- **2.2 Taxation to address foreign Investment pressures on demand:**
 - Remove condominium presale exemptions from the existing foreign-buyers tax to ensure equity,
 - Revisit the foreign buyers tax rate to ensure that it is sufficient to curb rebounding rates of demand and potentially expand the geographic scope of implementation to limit spill-over effects between regions, and
 - Require declaration of beneficial ownership for transactions that are currently not registered at the Land Title Office (e.g. bare land trust agreements), to close a major loophole in the current foreign-buyers tax.
- **2.3 Taxation targeting speculation more broadly (foreign and domestic):**
 - Review the existing property transfer tax, to:
 - make it more progressive – consider approximately maintaining current revenue levels from the tax while introducing a sliding scale of rates according to transaction cost,
 - dedicate revenues from the tax towards affordable housing, and
 - ensure regional equity in distribution of affordability funds – recognizing that residents of some areas will inevitably pay higher or lower tax rates on average.
 - Update Federal capital gains exemption regulations for primary residences, to:
 - limit the number of times they can be used, and
 - set a maximum value on the limit.

It is recommended that these changes be applied going forward (non-retroactively) so as not to penalize beneficiaries of past transactions.

- **2.4 Consider penalizing rapid speculative resale-** we recommend that the Province consider the application of a seller's tax that would penalize rapid speculative re-sale. Such a tax could decline to zero after a set period of time so as not to negatively impact long term residents selling their property. Alternately, consideration should be given to scaling the property transfer tax for the same purposes.
- **2.5 Improved data collection, data development and data sharing-** these are necessary to support evidence based policy and ensure accountability. It is recommended that the Province and federal government work together to address these needs, including:
 - Creation of a pre-sale registry.
 - Publication of aggregate data on pre-sales.
 - Investigation and follow-up on the findings of reports such as "Low Incomes and High House Prices in Metro Vancouver"⁵ to identify additional data needs and actions to address tax avoidance in real estate.
 - Ensuring better co-ordination of agencies responsible for monitoring and regulating the relations between property transactions and capital flows, including CRA, FINTRAC, the banks, and the Real Estate Council of BC.





UBCM Resolution: Encouraging the Use of Residential Property for Housing - Victoria, 2017

Therefore be it resolved that the Province of British Columbia and Government of Canada take action to introduce effective fiscal and taxation tools to encourage the use of residential property to provide housing, and discourage speculation, "flipping," commodity investment and other market distortions that contribute toward a sharp escalation in the price of housing;

And be it further resolved that the Province of British Columbia adjust the (1) Property Transfer Tax and (2) Capital Gains Tax Exemption for primary residences, to encourage residential occupancy and discourage speculation, including the option of a phased-in Capital Gains Tax exemption for primary residences that increases over time to encourage residential occupancy and discourage speculation, and guarantee a dedicated and fixed portion of revenues from Capital Gains, Property Transfer and Land Value Capture taxes for municipal affordable housing and transit infrastructure.

Short-Term Rentals

The proliferation of short-term rental opportunities through platforms such as Airbnb has had the impact of contributing towards demand by making investment in residential real estate more desirable, and further drawing down already limited long-term rental stock in communities across the province.

A range of regulatory approaches have been adopted by B.C. local governments – both in large urban areas, and smaller resort/tourist focused communities, including among others: Penticton, Tofino, Whistler, Richmond, Sechelt, Rossland, Nelson, Fernie and the Regional District of Okanagan-Similkameen.

Approaches include:

- Perhaps most commonly, business licenses are required for individuals seeking to rent out a property as a short-term rental (e.g. Nelson, Richmond, among many others).
- Regulations are often set in place for different classes of vacation rentals (e.g. Penticton), or for short-term rentals falling within different land use zones (e.g. Nelson).
- Non-compliance fines vary, but may be substantial (e.g. \$1,000 per day in Richmond, \$500 per day in Nelson).



While taking leadership on the situation through such approaches, local governments need support from other orders of government to address areas of regulatory uncertainty, to minimize enforcement costs, and to ensure tax fairness. We recommend that the Province:

- **2.6 Investigate options for regulating short term rentals-** The Province should investigate, in consultation with local governments, options for regulating short term rentals with the goals of:
 - enforceability,
 - retaining local government choice, and
 - providing local governments with more clarity, and regulatory power where needed, to address uncertainty regarding the applicability of business license approaches to companies like Airbnb, particularly where these platforms are based outside of the local government in question.

Options for consideration should include:

- *Adoption of platform accountability-* requiring that all hosts have a license or permit and only allow websites like Airbnb to list and advertise properties that have a permit number ('Platform accountability', approach favoured by Fairbnb⁶).
- *Placing a cap on the number of days per year a property is rented as a short-term rental-* requiring that short-term rental platforms automatically delist property listings that host beyond a specified upper limit of rental nights (e.g. 60 as in Amsterdam).
- **2.7 Address tax fairness-** We recommend that the Province investigate and implement policy to address the current tax fairness issue whereby residential properties currently used for commercial purposes as short-term rentals cannot be subject to property taxation that properly reflects the use of the property.
- **2.8 Good practices for short-term rentals-** We recommend that the Province create a good-practices guide for local governments to raise awareness of existing approaches to regulation of short-term rentals.

UBCM Resolution: Split Classification for Short Term Commercial Accommodation - Tofino, 2017

Therefore be it resolved that the Province amend legislation so that all residential properties used for short-term overnight accommodation be eligible to be split-classified between Class 1 and Class 6 [to reflect the dual residential and commercial use of properties], and that classification methodology for short-term rentals be developed in consultation with stakeholders.