

DE JONG WAS SINGING A DIFFERENT TUNE IN MAY

Liberals finally realized electorate wanted action on foreign buyers

Still, it was the tuned-to-the-electorate premier, not her ever-cautious minister of finance, who took charge on this file and decided the Liberals needed to act.

When Finance Minister Mike de Jong announced the province would again be collecting data on the citizenship of property buyers, he played down on what it might take to provoke action against foreign nationals.



CHAD HIPOLITO/THE CANADIAN PRESS A few months ago, B.C. Finance Minister Michael de Jong noted his discomfort with a tax on foreign residential property buyers and said any decision regarding the implementation of one wouldn't come until the end of the year.

"I don't have a threshold," he told reporters back in May. "It's probably a fair question, but I try not to have some sort of preconceived notions."

He further declared "a bias against singling out foreign investment for a separate or punitive tax. We work awfully hard to attract people to come here, to invest here, to create jobs here."

Plus, with the data collection having been scheduled to begin June 10, the finance minister speculated it would be the end of the year before the process produced any definitive basis for action.

"After six months, given the kind of volume that we're seeing in and around Metro Vancouver and other parts of B.C., we'll start to get a relatively reliable sense of what is going on in the market. So that takes us towards the end of the calendar year."

Far from waiting that long, de Jong reported back in less than a month — and with some dramatic results.

Foreign nationals already accounted for almost \$400 million of residential property transactions. Nine sales out of 10 had occurred within Metro Vancouver. Threequarters of the foreign buyers held Chinese citizenship. The foregoing covered only the first 19 days of data collection, not including the action on June 30, which would be the common date for closing many transactions.

Still, the numbers were big enough to cause concern.

They got even bigger Tuesday when de Jong put out the updated results, covering up to July 14.

Foreign nationals accounted for \$1 billion of residential property sales in the space of just five weeks. Metro Vancouver accounted for almost 90 per cent of the sales, with significant shares coming from Richmond (where foreign buyers accounted for almost one sale in five) and Burnaby (one in six).

De Jong declined to speculate on why the pace of sales picked up from the already hefty level in the first release. Was it inclusion of those end-of-month closing figures from June? The dynamic of an overheated market? Buyers crystal-balling the likelihood of a crackdown?

Nevertheless, the billion-dollar running total left no doubt why his original notion of waiting to the end of the year was no longer operative. Buried, too, his ideological opposition to the mere notion of such a tax.

One saw in a glance why the main order of business of the snap summer session of the legislature was the 15 per cent tax on foreign buyers. One saw, too, evidence to support the rumour that the decision to spring into action was driven less by de Jong than by Premier Christy Clark.

Granted, it was de Jong who hinted at the change last week when asked point blank at a press conference if he'd be taking action against foreign buyers. For 11 seconds he said nothing — a pregnant pause if ever there was one — then declined to get drawn into speculation.

He was surely on board with the tax at that point, not least because of the mounting evidence gathered by his own ministry. Still, it was the tuned-to-the-electorate premier, not her ever-cautious minister of finance, who took charge on this file and decided the Liberals needed to act.

Caution is generally seen as a virtue in ministers of finance, particularly on proposals to increase taxes, particularly with the B.C. Liberals.

But in this case — after much delay — they've latched on to a tax increase that should fly with the broad-based electorate, as the only folks paying it, being foreign nationals, are unable to vote.

Moreover, it may prove to be a cash cow — for a time, at least — flowing millions of dollars into the government's slush ... er, housing initiative fund.

The tax kicks in next Tuesday, which doesn't give foreign buyers much leeway to close any purchases before they have to start paying it. But as chief tax collector de Jong noted, it is not uncommon for tax increases to take effect on the day they are announced, so a week's notice is pretty good.

If the pending implementation date were to generate any last-minute spike in residential purchases by foreign buyers, that would be evident in the next update, due by mid-August.

Plus, as de Jong assured the legislature this week, the ministry is tracking the buying of residential property by foreign nationals in close to real time. If there were a noticeable shift in activity to the Fraser Valley, the Okanagan, Victoria or other places where the tax does not apply, Liberals could respond quickly.

The enabling legislation will allow the cabinet to expand the area where the tax will apply and/or vary the rate between 10 and 20 per cent, with the stroke of a pen.

As for the New Democrats, after expressing strong reservations about the tax and warning about unintended consequences, they announced Tuesday that they will be voting in support.

In fairness, they had already done most of the heavy lifting on this file by pressuring the government for more than a year to take action against foreign buyers.

Not that the Liberals are inclined to thank the Opposition for helping to create the climate for what is likely to be a very popular tax, one implemented just in time for the coming election.