

LIBERALS SWING HAMMER WITH NEW HOUSING BILL

Two-pronged attack designed to tax foreign buyers, boost supply

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After months of making light of the need to crack down on foreign buyers of residential property, the B.C. Liberals performed a dramatic about face at the opening of the brief summer session of the legislature.



CHAD HIPOLITO/THE CANADIAN PRESS Premier Christy Clark and Finance Minister Michael de Jong discuss the details of the government's Miscellaneous Statutes (Housing Priority Initiatives) Amendment Act presented Monday at the B.C. legislature in Victoria.

The grab-bag Miscellaneous Statutes (Housing Priority Initiatives) Amendment Act, tabled Monday, included the promised re-regulation of the real estate industry and the asked-for-by-Mayor Gregor Robertson power for Vancouver to tax vacant residential properties.

But the Liberals upstaged both measures with a twoway intervention into the housing market: a 15 per cent tax on foreign buyers to drive down demand and a multimillion-dollar fund to increase supply.

The levy on foreign buyers would be confined to the purchase of residential properties in Metro Vancouver and charged as a premium atop the existing property transfer tax. Once enacted, the bill would give the Liberals the power to increase the rate to 20 per cent and to extend its application beyond the boundaries of Metro Vancouver, all without further recourse to the legislature.

Though the Liberals insisted the tax was not crafted as a revenue measure but rather to "diminish the amount of foreign investment," their own data suggested the proceeds could be substantial.

Foreign nationals snapped up \$350 million worth of residential property in Metro Vancouver in just under three weeks back in June. If that pace were to continue, the tax could bring in several hundred million dollars in the

space of a year. But that's a big if, since this big a levy could also drive a lot of would-be buyers out of a market that's already cooling in the assessment of some observers.

In any event, any proceeds from the 15 per cent tax are destined for a Housing Priority Initiatives account, which is also established by the legislation. The Liberals seeded the account with a further \$75 million, a relatively small share of the recent windfall to the provincial treasury from surging real estate sales. The bill would also give the Liberals the power to top up the account with additional revenue from the property transfer tax.

Asked how the money in the housing initiatives account would be used, Clark referred reporters to the six principles outlined in a recent video: "Increasing housing supply; linking communities together better with smart transit investments; supporting first-time home buyers who are trying to crack into the market; protecting consumers from shady practices; increasing rental supply; and, most of all, to keep that dream of home ownership alive for the middle class, we must put British Columbians first."

But on a first reading of the bill, it would appear to give the Liberals considerable leeway to spend the money as they see fit. Indeed, I was struck by how the text would exempt the housing initiative account from several key controls of the Financial Administration Act, the main budget legislation governing the expenditure of public funds in the province.

Once the bill is enacted by the government majority in the legislature, Finance Minister Mike de Jong and the Treasury Board committee of cabinet would be allowed to pay money out of the account for purposes such as:

Acquiring, constructing, maintaining or renovating housing or shelter.

Acquiring or improving land used, or intended to be used for housing or shelter.

Supporting the acquisition of same, by other levels of government, non-profits, and the like.

The latter might include private operators judging from the following statement of purpose: "Making loans to persons in relation to the acquisition, construction, maintenance, renovation or retention of housing or shelter or the acquisition or improvement of land intended to be used for housing or shelter."

There is also this: "The minister of finance may, on behalf of the government, guarantee the repayment of all or part of a loan by a person if the loan is in relation to the acquisition, construction, maintenance, renovation or retention of housing or shelter or the acquisition or improvement of land intended to be used for housing or shelter."

All those vague and open-ended powers can be exercised without further recourse to the legislature, which casts an ironic light on the premier's claim that this bill was not a rush job but rather the product of meticulous effort in the drafting stage.

"You can't do tax legislation on the back of an envelope, so it's taken a little bit of time to work through how we would make this happen," she told reporters. "Once we had figured out the legislative piece, we decided it was important enough that we call back the legislature in an unusual session to make sure that we got it done."

Making the best of the government having seized the initiative on the housing file, Opposition Leader John Horgan noted how the government recalled the legislature to enact measures on housing and recognition of transgender rights that the New Democrats long supported and the Liberals long rejected.

"We know it's the summer session because it's flip-flop season here with the B.C. Liberals," said the New Democrat, to much applause from his side of the house and a laugh or two among the Liberals.

Still, for all their leisurely pace on the housing file over the past year, the Liberals are finally moving in a substantial way and they've given themselves the power to do a lot more without further recourse to the legislature.