

August 3, 2022

Hon. Selina Robinson  
Minister of Finance Parliament Buildings  
British Columbia Government  
Victoria, B.C. V8V 1X4

Dear Minister Robinson,

The Canadian Home Builders' Association of BC (CHBA BC) is writing to you to express our surprise and concern with two of the Ministry of Finance's recent, seemingly hasty announcements that could have a negative impact on B.C.'s home building industry.

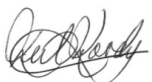
On July 20, the Ministry announced, with no prior notice, the decision to expand the use of Speculation and Vacancy Tax (SVT) in six more B.C. municipalities. This announcement was shortly followed by another on July 21 to implement a three-day homebuyer protection period on all residential real estate transactions. Although both announcements were made as a result of external recommendation reports, no opportunity was provided to further consult affected stakeholders. There are few implementation details, and discussion is warranted on how these changes affect the housing market and the much-needed delivery of supply. This was specifically requested by CHBA BC in previous, separate responses to *B.C. Budget 2023* as well as the *Enhancing Consumer Protection in B.C. Real Estate Market* report by the BC Financial Services Authority.

The *June 2022 Speculation and Vacancy Tax Act: Review and Regulations Report* does not make an explicit recommendation to expand the SVT in these specific areas but does state on page 157 that "*expanding the SVT will provide a disincentive for future speculative investment that can lead to further demand and increases in housing prices.*" The report goes on to list additional factors that should be assessed before expanding the SVT. With respect to the three-day homebuyer protection period announcement, few details are made available on its implementation. CHBA BC outlines our implementation questions in our July 19 submission to the Ministry of Finance, which we have reattached for ease of reference.

To help understand these changes and prepare for any affiliated impacts, CHBA BC respectfully requests the Ministry to provide additional information on the assessments conducted that prompted the SVT expansion as well as further specifics on the implementation of the three-day homebuyer protection period.

We believe the B.C. government should remain focused on advancing measures that effectively support our mutual goal of bringing more housing supply forward. Focus on demand-side intervention, such as the ones recently announced, has had little impact on housing pressures. Home builders need faster, predictable approvals and more building capacity in order to address our housing issues, rather than additional economic forces hindering investments in housing.

Sincerely,



Neil Moody  
CHBA BC CEO



Cassidy deVeer, President 3<sup>rd</sup> Generation Homes  
CHBA BC President 2022 - 2023

July 19, 2022

Hon. Selina Robinson  
Minister of Finance Parliament Buildings  
British Columbia Government Victoria, B.C. V8V 1X4

Submitted via e-mail to [FIN.Minister@gov.bc.ca](mailto:FIN.Minister@gov.bc.ca)

## CHBA BC Submission: B.C. Financial Services Authority - Enhancing Consumer Protection in B.C.'s Real Estate Market (May 2022)

The Canadian Home Builders' Association of BC (CHBA BC) is in receipt of the BC Financial Services Authority's report entitled, "*Enhancing Consumer Protection in B.C.'s Real Estate Market: Report to the Minister of Finance*". As a stakeholder, CHBA BC appreciates the opportunity to comment on the report's recommended actions the provincial government can take to ensure greater protection and transparency for consumers during the purchase of residential property.

These comments are intended to help with the consideration of any next steps. While it is our understanding that the Province has advanced *Bill 12* - the enabling legislation to bring forward a cooling off period - our review of BCFSAs report has raised concerns and a number of questions as to how this policy will apply and be effective in different real estate circumstances - especially the purchase of new or significantly renovated, warranted homes. Implementation is a core theme throughout our feedback and CHBA BC believes further consultation with stakeholders is warranted.

### Homebuyer Period Protection Parameters

#### **Exemptions**

*Bill 12* has made exemptions to a contract of purchase and sale to which section 21 of the *Real Estate Development Marketing Act* ('REDMA') applies. CHBA BC understands why this exemption was made since REDMA applies when one is selling a property prior to applying for building permits. Under these circumstances, a purchaser cannot guarantee lending since possession may not be available for two years from the date of contract signing, and a home inspection cannot be scheduled since the project has not started yet. Provisions are also available to back out of a sale once the final disclosure statement is received. However, this exemption does not cover the typical type of housing product CHBA BC members build.

As documented in BC Housing's [2020 Residential Building Statistics and Trends Report](#), 74% of prospective buyers plan to purchase homes built by a builder/developer. Only 16% seek a previously owned home. A total of 31,957 new homes were registered with BC Housing in 2020, and these are homes that were or are in the process of being built by a Licensed Residential Builder and are covered by home warranty insurance as required by legislation in B.C. It was also found that 97% of new homeowners feel confident knowing their home was built by a licensed builder and 83% of new homeowners are satisfied with their new home.

CHBA BC is unclear of the problem this policy measure seeks to solve in new and renovated home real estate transactions that come with warranties. We maintain the position that newly constructed homes (not already covered by the currently in place seven-day cooling period), recently renovated homes, as well as sophisticated

buyers should be exempt from this cooling period altogether especially if warranties are provided. Newly and significantly renovated homes, as mentioned, have undergone an extensive review and approval process, and often marketed with the price points publicly available. With this information at hand, buyers have advance time to secure financing as well as have a level of confidence to know the home is built to standard. The tests of transparency and consumer protection are met.

Given the strenuous nature of today's housing market conditions, timing and certainty is incredibly important for builders. Our members need to be able to confidently close on their projects as often they allow for the next project to proceed. Our builders build on average four homes per year.

Furthermore, a three-day cooling period is not necessary in circumstances where a listing has been active for an extended period of time and likely not subject to the pressures of multiple bids. Although it was raised in consultations that a three-day period offered minimal disruptions, a seller and a buyer should be able to proceed as quickly as possible under these circumstances. We request the province also create an exemption for this scenario, in consultation with stakeholders.

### ***Termination Fee***

As stated in our previous submission, further details are needed on how a 0.5%-1% termination fee will be collected and administered. BCFSAs report does not offer details in this regard.

CHBA BC does support the use of a financial mechanism to provide a level of confidence and security in an offer. It would be more effective and efficient, in our view, to instead use a non-refundable, upfront deposit. This gives more credibility to the offer so the seller can move forward with confidence.

### ***Disclosure of Active Offers***

CHBA BC members can see value in BCFSAs recommendation to consider requiring buyers to disclose any other active offers that have been made. However, we struggle to see how this would work in practice. For example, how would a seller be notified if a potential buyer who has made an accepted offer, then chooses to make subsequent offers on other properties?

Alternatively, if the Province also proceeds with measures to disclose the details of offers before a seller, this could have the unintended consequence of discouraging the confidence of buyers and drive them to make backup offers on other properties, which in turn could give the wrong impression to a seller that a buyer is not serious. CHBA BC recognizes the important role a real estate agent has during this process to make clear the position of a buyer and seller, but further discussions are needed to have clarity on this.

### ***Access to Property and Disclosure Forms***

Regarding access to property, in consideration of circumstances where new homes are sold pre-construction or during construction, members have shared concerns regarding the safety of the buyer to access the property or site. As builders for smaller-sized housing projects - typically single-family homes - it is important to note that there is usually less room to accommodate changes. To allow homeowners to review a home at an unfinished stage gives way for more frivolous, unreasonable asks to be made as a condition to close on the property.

CHBA BC agrees with BCFSAs recommendation to have newly constructed properties that have never been occupied, exempt from property disclosure forms or making specific sections of it optional. We would recommend extending this recommendation to include newly renovated homes that have received a building permit within the past year.

## Pre-Offer Period

To some degree, CHBA BC members can see the merits of a minimum pre-offer period but given this was not part of the scope of BCFSAs' consultation discussions, we believe this measure requires additional discussion with stakeholders. Further information is needed on how a "listing" or "offer" will be defined to trigger the pre-offer period, as well as details on how the pre-offer period will be administered and monitored.

The housing products CHBA BC members build are not typically listed on real estate listing platforms such as the MLS system or use a realtor to broker the transaction. To require the use of these would contribute to more administrative and cost burden to small- and medium- homebuilding businesses.

## Concluding Remarks

We appreciate the time taken to consider our feedback on this significant, impactful policy.

It is important to note that since the time the policy topic was first introduced, the housing market has significantly changed and slowed down - a scenario that was anticipated during the consultations. It would be pertinent for the government to consider how the market has changed the home buying process, and whether it is still necessary to implement this type of intervention during this volatile time.

CHBA BC reiterates that building supply should remain the priority of this government as opposed to introducing further demand-side measures.

Thank you again for this opportunity. Please do not hesitate to contact the undersigned for any further discussions or questions.

Sincerely,

**Carmina Tupe, MCIP RPP**  
Director, Policy & Government Relations  
E: [carmina@chbabc.org](mailto:carmina@chbabc.org)