

April 20th 2017

City of Victoria,
Mayor and Council

Re: Foreign Buyers' Tax

Dear Mayor and Council,

I'm writing a quick note to express our organization's support for asking the province to apply the foreign buyers' tax to Victoria/CRD.

We look forward to engaging more thoroughly, and regionally on this topic in the coming weeks and months.

In brief:

- A foreign buyers' tax ("FBT") has never been Gen Squeeze's favourite policy tool to address the housing crisis, generally.
- Nor is a FBT our preferred tool to *tax housing wealth fairly*. This requires a broader discussion to unpack (more info at http://bit.ly/GS_BCworsteconomy), but is a key principle to achieve generational equity in the housing market.
- A FBT has never been the favourite policy tool of most of our academic and sector colleagues, either. For example, more than 50 B.C. economists have signed a letter indicating their support for a different way of taxing speculative activity [here](#).
- **Nonetheless, we view the 15% FBT, especially as recently amended to exempt those with work permits, as solid policy that has the potential to help significantly.**
- **We see no good reason *not* to bring it to Victoria/the CRD. It's already on the books, it's been amended to exempt those with work permits, it generates revenue for affordable housing initiatives, and it aligns the City/region with other hot housing markets including Metro Vancouver and the GTA (Ontario announced a FBT this morning).**
- A FBT is not anti-immigrant. The intention and application of the amended tax is clear: cool problematic foreign demand by those who don't live, work and pay income taxes in B.C. Foreign investment is often a good thing, but we need to ensure it is channeled for public good.

- Is there a chance Victoria/CRD could be perceived as less welcoming, as suggested by some councillors? Perhaps, but as emphasized by our “Homes First, Investment Second” principle (a) purchasing of residential real-estate with no intention to live and work here full-time is NOT an activity we should be particularly welcoming of and (b) given the desperate situation of many local residents this perceptual risk pales in comparison to the material impact that foreign speculative investment has on local real estate costs and psychology. We agree the term “foreign buyers’ tax” is not ideal, e.g. in announcing a similar measure for the GTA this morning Ontario adopted the arguably improved language of “Non-Resident Speculation Tax”. However, given the scale of the crisis, semantic considerations are just that.
- On the topic of material impact, nobody knows what the long-term effectiveness of the FBT in Metro Vancouver will be. Nor could anyone claim to have that knowledge for Victoria/the CRD.

Hypothetical scenarios forecasting the behaviour of foreign buyers in response to the tax are just that, hypothetical.

What we CAN say for certain is that doing nothing to cool this type of unhealthy demand will achieve nothing to cool this type of unhealthy demand.

- The province has now been collecting data on foreign involved transactions in the CRD for close to a year, and the numbers are significant.

Instinctively, any given person will react differently to numbers like two, three, five, eight percent on any given month.

But make no mistake: those numbers are causing real pain to local buyers who are trying to compete with cash offers, often sight-unseen and no conditions attached.

- The bottom line is we need to discourage this type of unhealthy demand. The percentage of foreign involved transactions, month-to-month, are helpful indicators but should not be used as the primary basis for deciding whether to bring the tax here.
- The decision should be based on whether the FBT can contribute to cooling unhealthy demand and rein in costs, as guided by foundational principles like “Homes First, Investments Second.” This principle is part of the Common Ground that Generation Squeeze has helped to build in the in BC housing sector with developers, real estate agents, landlords, renters group, non-profit housing, academics, city planners, mayors and people squeezed by high home prices. See <http://bit.ly/CodeRedBHCG>.

In sum, we believe the FBT is one useful measure that in combination with additional policy adaptations – such as Victoria’s recent decision to permit garden suites in zoning – can ease the #CodeRed housing squeeze. **We encourage you to request that it be extended to Victoria/the CRD.**

Sincerely,

A handwritten signature in black ink, appearing to be 'Eric Swanson', with a large, sweeping initial 'E'.

Eric Swanson, Executive Director
Generation Squeeze

A handwritten signature in black ink, appearing to be 'Paul Kershaw', with a large, sweeping initial 'P'.

Dr. Paul Kershaw, Founder
Generation Squeeze