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From: Sara Filbee [REDACTED]
Sent: April 11, 2022 6:46 PM
To: Premier
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Subject: Letter re Bill 149 Financial Measures (2022) Non-resident deed transfer and property tax provisions
Attachments: Non-Resident Tax letter to Premier.docx

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Please find attached my letter re the above for your attention.

Thank you

Dr. Sara Filbee, Chester, NS

Dr. Sara Filbee

Chester, NS

April 11, 2022

Delivered via email

The Honourable Tim Houston, Premier of Nova Scotia, premier@novascotia.ca

Dear Premier Houston:

RE: Nova Scotia Budget 2022 and Bill No. 149 Financial Measures (2022) – Non-Resident Deed Transfer and Property Tax Proposals

Let me start by congratulating you on your recent election as leader of our province. You come into power at a time that is full of opportunity for Nova Scotia and Nova Scotians; a time that makes it incumbent upon all of us to make wise and careful decisions about the many weighty issues facing our province and country.

I am a proud Nova Scotian. Born here, I lived in Ottawa for 14 years and was thrilled to be able to move back home in 2014. I have watched as Nova Scotia has become increasingly recognized for its leadership and strength of community during the Covid-19 pandemic. The reputation of the province has grown world-wide, which if nurtured carefully holds great promise for a bright future.

That is why I am writing to you to express my concerns on the recent non-resident property and land transfer taxes proposal announced in your first budget. I fear this policy if implemented as designed will cause us to snatch defeat from the jaws of victory to the great detriment of our mutual long-term prosperity, quality of life and social cohesion.

Let me be clear. The housing crisis is truly a crisis across Canada. It is however a wickedly difficult, highly complex problem that will not be easily solved. And yet, if we wish to live in a healthy and prosperous country, resolve it we must. Any policy that seeks to respond to such a difficult issue must do so in the least damaging and most effective way. Such an approach must be multi-faceted, and all Nova Scotians need to play their part. It needs to be evidence based, temperate, fair and not opportunistic and minimize the amount of inevitable collateral damage. Sadly, this policy is none of these things and, in fact, there is also every reason to suspect that it will NOT solve the problem and make housing any more accessible or affordable in our Province.

Targeting outsiders while politically popular will not work and in the result, it is likely to impact both residents and non-residents negatively through undesirable outcomes like reputational harm, lower asset values for all Nova Scotians, higher tax administration costs, lower investments in communities and reduced labour and capital mobility. Once tax measures are imposed, they are difficult to change, result in irreversible damage, and are extremely unlikely to generate the targeted amount of revenue.

There appear to be four key drivers or assumptions underlying this policy, none of which I believe are supported by either experience or evidence:

(a) We need to do something about the housing crisis and the best way to do so is to reduce non-resident ownership of housing stock in the Province.

You have said these measures are required to cool an overheated housing market and increase affordable and accessible housing. Cooling the housing market by focusing on reducing non-resident ownership will not do that. The Spring 2021 report of the Nova Scotia Affordable Housing Coalition did not identify this as a key source of the problem. Cited causes of the housing crunch have generally included population growth, the slower pace of new housing starts during the pandemic, artificially low mortgage rates, the large number of Air B&B's and investment speculation. You address none of these.

Non-resident ownership is only 4% of property, is mostly rurally based, often not winterized and not necessarily in areas which are accessible to jobs or in the HRM where the issue is the most serious. For this policy to make a dent in the crisis, it would have to cause a crash in property values rather than a cooling. A \$800,000 home at a 20% drop in price is \$640,000 which is still unaffordable for the housing insecure. I find it hard to believe that a responsible Progressive Conservative government would intentionally enact a policy which would lead to a crash in the housing market.

There are other options. Attached to this letter you will find just some of the other aspects of this problem that you could consider.

(b) The proposal will have no negative impact upon residents and Nova Scotia.

Non-residents are our friends, our family, and our neighbours. Many consider themselves Nova Scotian and/or or have deep roots in the Province, in some cases, for generations. Many contribute (some of them significantly) to local charities and community organizations, and cultural and recreational events both as participants, organizers and volunteers. While the assumption appears to be that they are wealthy, this is incorrect. Many are not, having inherited family properties while other have simple camps or lake cottages. Others have had their property assessments uncapped for many years and thus already pay higher property taxes than Nova Scotians on equivalent market value homes.

When many vacation properties come on to the market at the same time, the value of ALL vacation properties (and likely other properties as well), the vast majority of which are owned by Nova Scotians, will fall. This will be felt by Nova Scotia residents and, for example, those who are already fully leveraged may well find themselves holding mortgages higher than the equity in their homes, particularly if the expected mortgage rate increases are realized.

Has the government thought through how these tax measures will affect Nova Scotians who need to work elsewhere on a temporary basis but want to retain property in the province even if it's just a small cottage they can barely afford? What about residents who get transferred in the middle of your 'cooling off' market and cannot sell within the requisite six months? What about members of the Canadian Armed Forces or the RCMP? Should they be forced to pay more taxes, or rent, or sell while they are serving Canada in another province or country?

Mr. Premier, you risk setting a dangerous precedent. Many Nova Scotians over the course of time and currently have had to seek employment outside the Province. Some plan to return in retirement while others return after shorter stints working elsewhere. What if other Provinces, many of which have an even more significant housing problem, follow your example and levy a “non- resident” tax on Nova Scotia workers?

(c) We will be able to raise significant revenues from these taxes for the benefit of Nova Scotia and Nova Scotians.

The non-resident tax proposals are forecast to raise \$65-\$80 million, more revenue than the approximately \$30 million identified for affordable housing. This suggests your motive is to generate significant funds for the public purse.

While not all are wealthy, those that have the resources to avoid the consequences of this tax will do so and thus significantly reduce revenues. Some will rent, but one cannot assume all rentals will be affordable 12-month rentals to Nova Scotians - many will use short term rentals to make up for increased taxes. Again, less revenue. I assume as well, that the large forecasts are based upon non-residents not leaving and paying the tax and do not consider the losses of revenues from those that do leave as they won't be paying taxes or making the significant financial contribution, they, their friends and family have made in the past to businesses in their community, often over a period of 4-6 months a year.

Other non-residents will take up residency to avoid the taxes and begin to access benefits in Nova Scotia (such as healthcare). Given that we are already struggling to put in place sufficient infrastructure, these additional new residents may well out-weigh their income tax contributions (especially if they are 60 or older).

Some Nova Scotia communities have proportionally large numbers of non-residents. If they leave (and take potential visitors with them), local businesses in these areas will be hard hit - just when they might finally be recovering from pandemic related losses. I also assume you have not netted out the loss of future tax revenues from capping of property assessments which will happen for those who do become residents and for those who purchase these properties from the leaving non-residents.

(d) Non-residents are not important to Nova Scotia and as they don't have a vote, the government doesn't owe them a duty of care.

Nova Scotia is on its way to becoming a leading destination for talent, capital, innovation and recreation in Canada. These proposals send the wrong message to potential migrants, investors and tourists. Canadians expect transparency and fair notice from governments with respect to significant tax changes. Using the budget process with no prior consultation or supporting discussion papers, other than what appears to be a hastily crafted election campaign promise, effectively makes these measures retroactive tax increases, which come following the pandemic, when some are already struggling financially, or on a fixed retirement income. Many have made significant investments in Nova Scotia, which they would never have done had these discriminatory and punitive tax measures been in place.

This lack of fundamental fairness and the readiness to bring in retroactive taxation based on limited, or no analysis, will cause the loss of trust in the provincial government amongst residents and non-residents alike which will harm the reputation of the province for being well governed with all outside investors, including those considering opening businesses here. Once trust is lost, it is almost impossible to regain. No matter how many times you, Mr. Premier say that you welcome new residents and investments in Nova Scotia, there will always be doubt that the government will treat them fairly when it is not politically convenient to do so. This is extremely damaging for the reputation of our province.

I believe you to be a smart man and I assume that you have the best interests of the Province at heart. I suspect you believe that this action is politically popular, but as I have noted in this letter, it will neither address this serious issue nor be consequence free. You have a long term ahead of you and many significant issues to deal with. I have a Doctorate in the area of managing in complexity and can assure you that actions such as this will only increase the complexity of the challenges you will face. You might want to be careful about enacting a policy whose fall out you will be managing for months and years to come and which, while popular now amongst your base, is likely to generate a negative reaction among other Nova Scotians that will far outlive the popularity of this action today and prove to be an albatross for your new government.

In closing, Mr. Premier, you now have the opportunity to demonstrate your statesmanship by being responsive to the concerns being expressed and putting a pause on this policy until it can be fully explored. These proposals, and other options to address this multi-faceted crisis need be subjected to a full cost benefit analysis and public hearings and all, residents and non-residents need to play their part. Such an action, I believe, will likely broaden your base of support and establish your credentials as a Premier for ALL of us. In addition, I believe you would be congratulated for having the wisdom of ensuring that your housing policy considers to the full the recent announcements in the Federal Budget for their potential impact upon the provincial approach.

Please think carefully before taking this momentous decision. It will inflict disproportionate and irreversible pain on individuals without the right to vote and, ultimately, damage the economy and reputation of Nova Scotia and hurt everyone. Non-residents should not be subjected to such punitive levels of taxation when their only crime is to have fallen in love with Nova Scotia.

Yours respectfully,

Dr. Sara Filbee

cc. Members of the Nova Scotia Law Amendments Committee; Provincial MLA's

Other Options for Responsible Approach to Housing Crisis

The government of Nova Scotia can take direct, effective and fair measures to cool the housing market. A few include:

- introducing measures to reduce real estate speculation,
- prohibiting blind bidding for real estate transactions,
- streamlining municipal planning processes and eliminating dysfunctional bylaws to allow more urban density,
- Restricting or eliminating short term rentals hosted by AirBnB and other similar platforms in problematic regions such as the HRM,
- Require greater density especially in urban areas,
- Allow detached homes to be converted to multi-accommodation units,
- Make all second homes (e.g. not just non-resident properties) in the province subject to uncapped property assessment increases so that the province can collect more tax revenue to spend on affordable housing and infrastructure,
- Examine local bylaws to permit multigeneration living e.g. allow “granny flats” to be built,
- Examine laws that may limit commercial/industrial buildings also serving as residential accommodation,
- Make decision making at all government levels faster, and
- Co-ordinate any federal and provincial funding with local municipalities and groups interested in co-op living so that these groups get rewarded for their efforts.

If the government of Nova Scotia is intent on passing the proposed non-resident tax measures in Bill 149, regardless of the evidence and submissions before the Legislative Committee, there are amendments that the Committee could make to mitigate the negative impact of these proposals, such as:

- removing the retroactive application of the proposals by grandfathering existing non-resident property owners as of April 1, 2022,
- reducing the 2% rate per \$100 of assessed property value to 0.5%,
- allowing non-resident property owners to cap their property assessment value as of April 1, 2022, and
- limiting the non-resident tax measure to one or two years.