



October 17, 2014
Select Standing Committee on Finance and Government Services
Room 224, Parliament Buildings
Victoria, BC V8V 1X4

Dear Committee members:

The Canadian Home Builders' Association of BC (CHBA BC) supports and applauds the Government of British Columbia's continued fiscal approach for a balanced budget and strategy to grow the economy and enable job creation. CHBA BC is pleased to see that British Columbia's financial position and credit rating are strong, as a result of successive balanced budgets and a surplus forecasted for the 2014-2015 fiscal year.

The overall value of the residential construction and renovation industry in British Columbia is \$17.1 billion, generating more than 134,500 jobs and \$7.6 billion in wages in new home construction, renovation and related fields – one of the largest employers in the province.

With housing starts for 2013 at 27,054 based on data from Canada Mortgage and Housing Corporation (CMHC), the importance of the residential construction industry and the economic benefits for British Columbia are clear.

While British Columbia's economy has performed comparatively well, the recovery from the global financial crisis has been slower in some regions of the province. The activity in the residential construction industry can be affected not only by economic conditions and cycles, but also due to the policies of provincial and municipal governments that affect housing activity. Factors that can impact the local housing markets in 2014 and beyond include:

- changes in international, regional and local economic conditions, especially job creation and unemployment;
- higher government-imposed taxes, fees, levies and charges; and
- shortages of serviced land

The following policy recommendations would help support continued growth in communities in British Columbia, help address housing affordability, create efficiencies in the tax-system, and contribute to jobs and economic growth.

PROTECT HOUSING AFFORDABILITY

A vibrant housing industry and healthy housing market have significant economic spinoffs for British Columbia. Quality-built homes, in livable prosperous communities, that are affordable for British Columbians, are a key part of the socio-economic well-being of the province. Additionally, affordable housing would help position our province as a destination for a strong skilled trades workforce.

However, the cost of home ownership for British Columbians continues to increase beyond sustainable/manageable levels, and the ever-increasing tax burden placed on



homes continues to erode affordability.

Tax competitiveness has been a cornerstone of the Government of British Columbia's fiscal policy since 2001, yet an outdated Property Transfer Tax (PTT) structure has remained in place. First introduced in 1987 as a luxury tax, the PTT has always been applied as 1% on the first \$200,000 of the fair market value of a property, and 2% on the remainder. Yet, this structure is not congruent with British Columbia's dynamic real estate market and remains unchanged.

There was an exception, however, with a minimal adjustment in Budget 2014 when the PTT exemption threshold was increased to \$475,000 from \$425,000 for new home buyers. CHBA BC applauded this strategic move, but there is more work to be done. British Columbia continues to have the highest provincial property transfer tax in Canada, and the current rate continues to severely affect housing affordability.

There are several options available for PTT reform, and CHBA BC is among leading industry organizations that have encouraged the Government for many years to minimize the negative impact that the PTT has on affordability.

Budget 2015 presents an opportunity to affordably improve the structure of the PTT to make it more equitable for homebuyers today and in the future. While CHBA BC understands the government's objective to balance the budget, adjusting the PTT could stimulate additional activity in the residential construction industry and encourage spending related to property transactions. Adjusting the PTT would demonstrate confidence in British Columbia's economic potential, and an investment in growing our province's communities.

Recommendation:

- 1. Increase the 1% PTT threshold to \$525,000 from \$200,000, with 2% applying to the remainder of the fair market value.**
- 2. Index the 1% PTT threshold and make adjustments annually.**

While these recommendations will result in a reduction of PTT revenue for government, it will make the possibility of home ownership closer to a reality for more families throughout the province. Indexing the 1% threshold is a crucial step, as it will ensure the PTT has the same impact on current and future homebuyers.

Homebuyers in British Columbia deserve a fresh start. If the PTT is to remain, a restructure of this tax to reflect market conditions and assist British Columbians is long overdue. Modernizing this policy to reflect the current housing environment will act as a catalyst to attract the much-needed skilled tradespeople, many of whom face housing affordability issues.

Projected Revenue Impact of Indexing the 1% PTT Threshold

Fiscal Year	Revenue Impact (\$m)
2015/2016	-3
2016/2017	-6
2017/2018	-9
2018/2019	-12
2019/2020	-15

Note: MLS® HPI prices were assumed to rise in line with 2% inflation over the projection horizon.

1% PTT Threshold Options	Revenue Impact			
	Residential (\$m)	Non-Residential (\$m)	First-Time Home Buyer Program (\$m)	Total Loss of Revenue (\$m)
250,000	-35	-2	7	-30
300,000	-66	-3	12	-57
350,000	-92	-4	16	-80
400,000	-114	-6	18	-102
450,000	-132	-7	18	-121
500,000	-146	-8	18	-136
525,000	-153	-8	18	-143
550,000	-159	-9	18	-150
600,000	-169	-10	18	-161

Note: Revenue impact estimates are based on BC Assessment tax roll data for 2013 and First Time Home Buyer exemption data for fiscal year 2013.

MANDATORY BUILDER EDUCATION

As it stands in British Columbia, there is a provincial building code governing housing, but there are no provincially-mandated education requirements for the people building those homes. For many British Columbians, a home is the most important investment – and the most expensive purchase – that they will make throughout their entire life.

The Canadian Home Builders' Association of BC supports the decision for a change to the *Homeowner Protection Act*, which is to be brought forward by Minister Rich Coleman, and as recommended by industry that will call for the introduction of prescribed education and training qualifications for home builders of one to four unit buildings as a requirement for licensing.

CHBA homebuilders throughout the Province have invested considerable time, energy and resources to establish standards of professionalism to increase consumer protection by raising the bar of professionalism within the residential construction industry. While CHBA BC applauds Minister Coleman's decision to move forward with the change to the regulation in the *Homeowner Protection Act*, it is imperative that this regulation be implemented promptly in order to ensure that current and future demand for housing stock be met by experienced, professional and accountable builders.

Recommendation

The Canadian Home Builders' Association of British Columbia recommends:

- 1. The Cabinet and Ministry approve the proposed *Homeowner Protection Act* regulation change which will introduce provincially-mandated minimum education requirements for home builders of one to four unit buildings as a requirement for licensing.**

SUPPORT SKILLED TRADES DEVELOPMENT

As is the case with many other industries in British Columbia, residential construction faces a growing shortage of skilled tradespeople in all regions throughout the province – a shortage that will become more acute in the coming decade as many of today's babyboom workforce retire.

CHBA BC applauds the government's efforts to support the skilled trades through the recent introduction of B.C.'s Skills for Jobs Blueprint.

Recommendation

The Canadian Home Builders' Association of British Columbia recommends:

- 1. The Government of British Columbia continue to invest in the promotion of skilled trades as desirable and respected career paths, and creating a shift in the societal perception of pursuing a trade.**
- 2. The Government of British Columbia ensure that all trades be eligible for training support when using funds from the Canada Job Grant employer-directed training.**

We thank you for your fiscal leadership and the opportunity to provide input to the Select Standing Committee on Finance and Government Services and for consideration in the 2015-2016 Budget. Working together, the residential construction industry and elected officials can make much needed improvements to housing attainability based on the recommendations we have submitted.

The Canadian Home Builders' Association of BC stands ready to help in any way we can.

Sincerely,



Neil Moody
Chief Executive Officer