

October 15, 2013

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

Dear Committee members:

As you and your colleagues make final preparations for the 2014-2015 provincial budget, we wish to highlight the following areas of concern and the needed changes and enhancements to policies and processes negatively affecting our industry. The Canadian Home Builders' Association of BC applauds your government's responsible management of public finances and urges you to remain focused on your goal to deliver a balanced budget.

British Columbia's residential construction industry is an important economic driver and has a long history of contribution to the province. We contribute billions of dollars to B.C.'s Gross Domestic Product (GDP) every year; we are a job creator employing thousands of persons both directly and indirectly; we are an educator and an innovator; and we contribute greatly to the economy and well being of all British Columbians.

The overall value of the residential construction and renovation industry in B.C. is \$15 billion, generating more than 127,500 person years of employment and \$6.6 billion in wages. Housing touches the lives of every person in this province, positively impacting our economy with every home sale producing \$60,000 in spinoff spending, a further contribution to the B.C. economy.

The most crucial of these is ensuring that the Professional Builders' Institute of BC (PBIBC) is made a priority immediately. Announced by government in 2010, the PBIBC has been a long time in the making. Its mandate is to raise the bar of professionalism in the residential construction industry and protect consumers in British Columbia, but the process of establishing the institute is taking too long. Government needs to approve the proposed regulation change and move forward on this immediately.

It is also vital that government address the issue of Property Transfer Tax in British Columbia. With a Families First agenda and a focus on affordability, government needs to take its focus to the next level and stop triple-charging the PTT on the same piece of land. This unnecessary cost impacts the bottom line, and the consumer pays.

As leaders of government and industry it is our responsibility to work together to protect the economy and jobs in our province. We urge the Government of British Columbia to support a vibrant housing industry, one that will create and maintain jobs, support healthcare and education.

1. Professional Builders' Institute of BC (PBIBC)

Since its inception in the mid 1970's, the Canadian Home Builders' Association of BC (CHBA BC), has been a strong advocate and partner with the provincial government. We have worked together for several years now in establishing the Professional Builders' Institute of BC and it is time to see our combined efforts come to fruition.

The province, residential construction industry and consumers alike are unified in the desire to further enhance the requirements for residential builder licensing and to ensure the industry's members are recognized as professionals.

The PBIBC will administer the delivery of certificates of achievement according to the prescribed standards for both new and renewing Licensed Residential Builders license applicants.

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. We owe it to B.C.'s homeowners to provide the industry with well-educated and fully trained professionals who will create well-built homes that will last a lifetime.

Recommendation

The Canadian Home Builders' Association of British Columbia recommends:

- 1. The ministry approve the proposed Homeowner Protection Act regulation change that will then allow the Professional Builders' Institute of BC (PBIBC) to get started.**

2. Improving Housing Affordability

British Columbia has a lot to offer its residents. Yet living in this province continues to be challenging for many, since housing affordability is a massive problem – one that needs to be addressed.

The BC Liberal government has made tax competitiveness a cornerstone of its fiscal policy since 2001, but the one outstanding exception is the Property Transfer Tax (PTT), which is the highest provincial property transfer tax in the entire country by far.

There are several options in place to reform the PTT and CHBA BC is among leading industry organizations that have encouraged the B.C. government for many years to minimize the negative impact of the PTT.

The tax 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 despite the ever-changing nature of this province's housing market, the structure of the PTT has not changed since 1987. At that time, the average home price in B.C. was \$101,916 and the 2% portion of the tax was expected to apply to only 5% of sales. In 2012, the 2% portion applied to more than 85% of homes sold throughout the province.

The PTT is a negative tax that places an unfair burden on homebuyers. CHBA BC supports the resolution passed at the 2011 B.C. Liberal Party convention to eliminate the PTT using a phased approach. Until complete elimination of the PTT is possible, CHBA BC welcomes a fair and balanced PTT process for homebuyers now and in the future.

Recommendation

The Canadian Home Builders' Association of BC respectfully requests government review the recommendations in this submission and forward them to the Minister of Finance for inclusion in the 2014-2015 budget. We recommend:

- 1. Increase the 1% PTT threshold from \$200,000 to \$525,000, with 2% applying to the remainder of the fair market value.**
- 2. Index the 1% PTT threshold of \$525,000 using Statistic Canada's New Housing Price Index and make adjustments annually.**

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

Government can still expect hundreds of millions of dollars in PTT revenue with projected revenue for 2012/2013 of \$758 million with the recommended structure.

Sales of existing homes also drive job creation, and B.C. leads all other provinces in this area. The sale and purchase of homes in this province generates 34,595 direct and indirect jobs – nearly one in 65 jobs across the entire B.C. economy, much higher than the national average of one in 109 jobs – according to Altus Group Economic Consulting.

Homebuyers in B.C. deserve a fresh start. If the PTT is to remain, it is past time to restructure this tax to reflect market conditions and assist B.C. residents, and who already face the highest home ownership costs in Canada.

3. Inclusionary Zoning

Inclusionary Zoning continues to be a major concern to CHBA BC. Practiced in many B.C. municipalities, inclusionary zoning policies are costly, inequitable, and ultimately ineffective. Inclusionary zoning refers to municipal policies that require residential developers to make

contributions of land, buildings, and/or cash to provide social housing (often referred to as “affordable housing”) as a condition of approving new developments.

Economic research indicates that such policies ultimately have negative effects on the affordability of new homes in a development, and potentially on the market as a whole. A new report from Vancouver’s Task Force on Housing Affordability notes that the city’s current bylaw requires developers to set aside 20 per cent of land for affordable housing.

“While this approach creates the opportunity for affordable housing development...a different approach will be needed to deliver affordability,” the report states.

Other reports also conclude that housing unaffordability is a widespread and growing problem, and that governments should take a closer look at inclusionary zoning and density bonusing to address the problems that can potentially arise, such as:

- Housing prices that rise beyond what they otherwise would have done, threatening housing affordability for new home buyers;
- Housing shortages of some types and in some locations; and
- Pressures on surrounding neighbourhoods as a result of extra density bonuses.
- Act as an internalized tax on development projects raising project costs that are put onto the new home buyers.
- Bottom-line findings are that little housing required for ‘households in need’ is likely to be produced, despite having such policies in place.

As an alternative, CHBA BC advocates a comprehensive and integrated approach to increase housing affordability and choice in British Columbia, and to meet housing needs of those who cannot afford adequate accommodation. This includes:

- **Reduced government-imposed costs on new housing at all levels of government;**
- **Removal of regulatory barriers to new housing developments;**
- **Tax policies that encourage private sector investment in rental housing production;**
- **Housing combined with support services for households with special needs; and,**
- **Expanded opportunities for accessory units as integral elements of new housing developments.**

Moving forward, the provincial government needs to remain cognizant of the impact their actions have on the small business owners who comprise 90% of CHBA BC members.

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CHBA BC members thank you for leadership and the opportunity to address the topic of ensuring economic health of the province of British Columbia. Working together, the residential construction industry and elected officials can make much needed improvements to housing attainability based on the recommendations our association has submitted. I and my colleagues at the Canadian Home Builders' Association of BC stand ready to help in any way we can.

Sincerely,



Neil Moody
Chief Executive Officer
Canadian Home Builders' Association of BC

Conclusion

All the aforementioned issues are important ones that require government's attention, but the single most important impediment to raising the bar on the professional standards of the residential construction industry is the lack of ministry approval on the proposed HPO regulation change.

It is time to finally realize the Professional Builders' Institute of BC that was first envisioned more than a decade ago. Government needs to act on this and act now.

At a time when our government is proceeding with programs to create jobs to ensure job stability, to attract people to our province why would we not take bold immediate action to support and protect an industry which is already established and one in which government has already invested training dollars.

If families really come first, let's cast an analytical eye on Property Transfer Tax and improve it. Let's ensure families have safe, secure and affordable housing. Let's determine together to crush those operating outside our laws and regulations, support professionalizing our builders and renovators, and curb the burgeoning underground economy.

In a recent communiqué our premier stated; "government will take measures to help job creators and make sure our economy remains stable in a sea of global economic turmoil." The communiqué further stated that government would defend and create jobs for B.C. families. It stated that stakes are tremendously high, that we must act boldly; it is time to turn the page. The call to action says: "let's get on with building our economy and creating a bright future for our families."

We in residential construction would like nothing better but we can't do it without immediate, bold action from our partners in government.

About the Canadian Home Builders' Association of BC

The Canadian Home Builders' Association is "the voice of Canada's residential construction industry", representing more than 8,500 member firms across Canada, including more than 1,500 CHBA BC members. CHBA members represent every area of Canada's housing industry - new home builders and renovators, land developers, trade contractors, product and material manufacturers, building product suppliers, lending institutions, insurance providers, service professionals and others.