About Canadian Home Builders’ Association of BC (CHBA BC)

CHBA BC represents over 2,000 member companies in the residential construction industry including home builders, renovators, tradespeople, service professionals, and others. Members are small and medium-sized businesses creating jobs and economic benefits in all areas of the province. Overall, the residential construction industry in B.C. represents over 200,000 on-site and off-site jobs, $11.9 billion in wages, and $25 billion in investment value.

CHBA BC is a not for profit membership association registered under the Societies Act. We require all members to abide by a code of ethics and do not represent all home builders, renovators, and contractors in the industry. CHBA BC and the industry are not self regulated and CHBA BC membership is not a licensing requirement for new home builders in British Columbia under the Homeowner Protection Act with BC Housing.

Introduction

CHBA BC appreciates the opportunity to contribute to this important discussion. As an industry association, we are committed to transparency and professionalism. We support measures that encourage consumers to work only with industry professionals. Professionals follow all safety, regulatory and business operating rules, and are disadvantaged by those who do not respect these rules.

The Canadian Home Builders’ Association (made up of 9,000 member companies nation-wide) is actively committed to this issue in several ways. CHBA BC and CHBA National have worked with the Canada Revenue Agency (CRA) on efforts to combat the underground economy. CHBA’s Get It In Writing program informs consumers about the importance of working with licensed contractors who provide full written contracts and receipts. Lastly, CHBA BC markets new home and renovation contract documents to both industry and consumers to encourage clear, written contracts for all transactions.

It is clear that higher-than-historic home prices and evidence of money-laundering activities in British Columbia’s Real Estate sector are concurrent concerns. This submission focuses specifically on money-laundering and underground economic activity in isolation, but we reiterate CHBA BC’s view that further provincial discussion on the full range of factors contributing to diminished housing affordability for all British Columbians is needed. We would encourage some caution in arriving at conclusions over the magnitude of any direct causal relationship, and are committed to working with the government to address the many other market fundamentals involved with the aim of improving housing affordability.

Finally, we would caution that instances of money laundering in real estate are not representative of all hard-working men and women engaged in the residential construction industry every day. Ours is a vibrant, entrepreneurial industry that creates and supports good-paying jobs in all regions of the province. As is the case of other sectors, there are ‘bad actors.’ Our efforts are and should be focused on rooting out those unscrupulous operators while ensuring the professionals can thrive.
Recommendations

The underground economy

According to Statistics Canada measurements, the underground economy represents approximate $12 billion in economic activity across Canada. CHBA launched its RenoMark® and Get It In Writing! programs to provide an improved structure to the renovation industry, and communicate to homeowners the risks of undocumented ‘cash deals.’ In these cases, while home repairs or renovations are legal services, ‘underground’ contractors avoid formal business documentation in order to evade taxes. Most often the homeowners involved are enticed by apparently lower prices, and do not realize the considerable financial risks of working without a written contract, required WorkSafe BC coverage or an enforceable warranty. As an industry association, we are frequently contacted by such homeowners after problems have occurred and money has been lost; too late to prevent these situations. This motivates our work and our consumer education campaigns.

Any action by government to reinforce these consumer education efforts would be useful and productive to ongoing efforts to limit money-laundering and cash-only transactions in B.C. The most effective way to combat ‘cash’ renovations is to require providers to document their work. At the least this makes compliance efforts by government somewhat easier and more effective.

One of the challenges in combatting underground economic activity in our sector is that there isn’t a clear definition of what constitutes a “renovation”. For example, many small tasks can be completed by homeowners themselves without permits - like a new paintjob. However, as more and more homeowners look for construction services to assist them in aging-in-place or in meeting new requirements like energy efficiency, preventative actions by government can be of considerable benefit.

1. Any government program that provides assistance connected to renovations should always include a provision that proper receipts or proof of work (ideally a contract or work order) are required to claim the benefit. If government is providing incentives or financial assistance, it should always ensure the work involved is conducted in a legitimate manner, and that contracts, work orders, and receipts for all payments are in place.

2. Similarly, any such government program or assistance connected to residential construction should require a GST number (and business licence) from the professional doing the work as a condition of government payments.

Successful examples include the federal, temporary Home Renovation Tax Credit that ended in 2011. An estimated 3 million Canadians used the program and worked with professional renovators, with an average tax savings of $700 per claimant. British Columbia has similar tax credits in place for seniors and those with disabilities that require home modifications.
Owner-builders

Home builders in B.C. are regulated by B.C. Housing. We were pleased to see that the authorization requirements for owner-builders (those who want to build their own home or directly manage the project as general contractor) have increased in recent years. These efforts, including an exam, ensure owner-builders are fully aware of their responsibilities and liability when building a new home this way, as they are exempt from licensing or third-party home warranty insurance. There are many that use this authorization for legitimate purposes, but these increased measures also make this option less prone to circumvention of regulatory processes that professionals must follow.

1. The government should continue to monitor owner-builder transactions closely and proactively, as these fall outside the scope of regulatory oversight applied to all other new home builders, and the owner-builder process could be more susceptible to cash activity. We are pleased to see B.C. Housing already committed to monitoring these authorizations with its compliance team, through an anonymous tip line, and working with the Land Title Office when a property is sold before it has been occupied for at least one year. We support and encourage these efforts by B.C. Housing to the fullest extent.

2. Both CRA and the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) collect data that can assist in identifying potential money-laundering activity through the owner-builder mechanism. We encourage the Government of BC to ensure that there is effective data sharing and compliance cooperation between provincial authorities and these federal agencies.

Illegal Dumping

We see a clear connection between the underground economy and construction dumping, which has been reported on both agricultural land and other sites across the province. This problem is a potential byproduct of cash transactions where work is performed by non-professionals seeking to save money, circumvent normal business documentation and avoid detection by authorities.

We support the change through Bill 52 to increase the penalties for those who are engaged in such illegal construction dumping on agricultural land. As outlined in CHBA BC’s Budget 2019/20 submission, there are also practical ways to incentivize homeowners to dispose of waste materials the proper way, and also to use these mechanisms as an education tool regarding proper renovation contracting procedures.

1. We encourage the provincial government to explore the concept of a small tax credit for proper material disposal for homeowners at an approved construction waste facility. This could also require disclosure by the homeowner of any contractor engagement in the project, including relevant GST numbers and receipts for work performed.

This approach would also benefit communities, who bear much of the cost when material is improperly disposed in their neighbourhoods, especially improperly labelled hazardous material which pose safety concerns for municipal and other workers.
Information Sharing

CHBA BC has previously participated on Western Canada working groups with Canada Revenue Agency to discuss information and initiatives to combat the underground economy. CHBA BC welcomes a continued focus on national and provincial information sharing on a regular basis. This can include industry groups where helpful.

Efficient reporting practices

We would caution that the government will need to consult with CHBA BC prior to initiating any additional regulatory mechanisms aimed at combating money-laundering or underground economic activity. Ideally, any such requirements should not impose a significant reporting burden on legitimate operators, as this would simply widen the cost gap between legitimate businesses and cash operators.

CHBA BC would be happy to work with the provincial government to review regulatory and other measures during their development to identify any concerns on behalf of our home builder and renovator members across the province and to look for ways to achieve regulatory outcomes with minimum impact on compliant businesses.

Conclusion

Our members sign a code of ethics and commit to industry best practices. These professionals are best served when the market is free from any distortions that illegal activity could produce and there is a level playing field. We are pleased to provide any further information to this consultation.

Neil Moody
CEO, Canadian Home Builders’ Association of BC