

June 26, 2020

Submission to the Expert Panel on Housing Supply & Affordability

Submitted by email at experthousingpanel@gov.bc.ca

The Canadian Home Builders' Association of BC (CHBA BC) represents over 2,100 member companies in the residential construction industry who work as home builders, renovators, tradespeople, suppliers, service professionals, and others. CHBA BC members are small and medium-sized businesses creating jobs and economic benefits in all areas of the province.

Overall, the residential construction industry represents approximately 213,000 on-site and off-site jobs in new home construction, renovation, and repair in BC. This resulted in \$13.3 million in wages and \$25.5 million in built investment value¹.

Introduction

First, thank you for the opportunity to present to the panel directly in January 2020 on the theme of construction challenges as part of the stakeholder consultations. Our comments below build off of our in-person presentation and include other recommendations outside the scope of our discussion, including feedback due to the COVID-19 situation in Canada.

We are very pleased that the Expert Panel's mandate is specific to housing supply. There have been many demand-side policy changes by all levels of government but limited policy changes to encourage new housing supply. We agree that this is now a good time to review housing supply collectively and move towards action and solutions.

Housing supply is a key source of jobs and economic opportunity - something we must focus on to help support B.C.'s economic recovery. It supports our collective goals to create safe and affordable housing options for British Columbians, also something we know is important with COVID-19.

Lastly, several of our recommendations in this document also connect to the provincial [Development Approvals Process Review](#) Report (DAPR). Rather than reiterate every opportunity from this report, we would like to share our overall support of this stakeholder consultation, led by Minister Selina Robison. These opportunities to improve the development approvals process across British Columbia are for the benefit of both the government and the residential construction industry.

In residential construction, there are thousands of new homes sitting in the approvals process that are "shovel ready" and waiting on the necessary permits. A concentrated focus on advancing development approvals province-wide is good for B.C.'s budget and meeting our needed housing

¹ Estimates based on 2019 data from Canada Mortgage and Housing Corporation and Statistics Canada.

targets. COVID-19 forced new approaches to our housing approvals process - we realized we can and could do things differently. We encourage the committee to further invest in this type of innovation and continue to advance new approaches for development approvals in all aspects.

Provincial Discussion

Focus on the Missing Middle

We have a long way to go to meet our housing needs, and simply put, we have a housing supply shortage of the missing middle. The millennial generation is now having children, leading to a 'baby boomlet' that will continue to grow over the next decade, spurring demand for family-friendly, ground-oriented homes in markets across Canada, and in all parts of British Columbia.

It was once thought that Baby Boomers would be downsizing at our current time period, but this is not happening. The housing supply deficit as a result is most notable in relation to mid-density, ground-oriented attached homes such as rowhomes, stacked townhomes and the like, in walkable communities close to transit.

This 'missing middle' of new home supply particularly impacts younger families seeking their first home, where affordability is critical. In Canada's most dynamic economic centers these factors, plus significant immigration, have led to a chronic and significant shortage of homes in the greatest demand.

If the current trends continue, Canada will be in an estimated **300,000 family-oriented unit deficit over the next decade**². This supply shortage, already underway, is a major force behind rising prices for ground-oriented homes in Vancouver, the Greater Toronto Area and elsewhere. Policy actions by governments at the federal, provincial and municipal levels are required to unblock the supply shortage of "the missing middle" in housing, but critical action in this area starts at the local government level in the approvals process.

Development Cost Charges and Fees

First, development fees and charges must be transparent and predictable, so builders are able to prepare for developments appropriately. These fees must have proper grandfathering when increased as projects can take years to flow through the approvals process.

Everything must be considered within the lens of affordability, as these costs flow directly to the new home buyers. While the industry agrees that growth should pay for growth, we are consistently seeing development taxes, fees and charges being applied and used to fund community services that everyone takes advantage of.

²<https://www.chba.ca/CHBADocs/CHBA/HousingCanada/Information-Statistics/CHBA-Performance-Trends-2017.pdf>

It should be noted that we are not asking for a complete elimination of development fees. **Rather, that the current trend, often as high as 25% of the sale price, is unsustainable if housing affordability is our common goal.** This also applies to community amenity contributions (CACs).

We have shared this topic with the Expert Panel given its significance to affordability, but also would like to express our support for the work already taking place by the provincial Development Finance 'Review Committee - made up of many stakeholders from government and industry. This is the appropriate place to start these specific conversations related to development fees.

Alignment of Transportation and Development

We appreciate that the provincial government has already taken a leadership role with its new Integrated Transportation and Development Planning (ITDP) process - announced in Budget 2020 - and the transportation studies for the Fraser Valley and South Island regions.

Coordinating transportation and development is an essential task so that the maximum number of residents can benefit from government investments. Provincial and federal governments can improve affordability one step further through its shares of project costs, thus decreasing the amount owed by local governments and by extension the new home buyers.

We want to encourage new supply but also decrease sprawl where possible. We must review the lands available for best use and consider the missing middle options available as gentle density. Once transportation and regional land use plans are accepted and agreed upon, we also feel they must be adhered to, which does not always happen across the province.

Provincial Approvals

As indicated in the Development Approvals Process Review Report, approvals near and about highways, streams, (and approvals through other provincial ministries) can be slow and challenging to navigate, **and in some cases can add a year alone to a project** before an applicant receives input. If we are to focus on municipal approvals, we cannot forget the role of the provincial and federal governments in the approvals process as well. We must invest in the necessary resources to move these projects through ministries and provide applicants with timely feedback.

NIMBYism/Public Hearings

Builders create new projects based on agreed-to plans and zoning. It is very frustrating for the industry to have these projects comply with available guidelines but are rejected due to community NIMBYism. In many of these cases, the desired feedback comes at an inappropriate time incurring severe delays and costs. This is a major barrier to new supply.

As per the DAPR Report, we believe a review of the public hearing process is warranted. Many stakeholders can agree this process is flawed and could be improved for the benefit of home builders, community citizens, and local government staff.

In the short term, there are many tools available to local governments that are not being utilized by all, but have proven effective during the COVID-19 pandemic, including:

- waiving compliant projects or minor amendments from additional public hearings or council votes;
- eliminating “voluntary” stages such as the rezoning enquiry process in the City of Vancouver;
- Investing in digital infrastructure to receive permits and provide feedback, creating transparency and greater communication between the applicant and permitting staff.

National Opportunities

Home Labelling

British Columbia’s building stock is already on the path to higher performance housing with the BC Energy Step Code. However, the increased cost to meet higher performance targets is not recognized universally by consumers or financial institutions, **putting new housing supply at a competitive disadvantage to existing housing.**

One way to address this gap is with mandatory energy labelling. There are already 1 million homes across Canada that use the EnerGuide labelling program. Mandating home energy labelling on all houses has the potential to raise energy literacy, help home valuations truly reflect energy efficiency and further encourage Canadians to make energy efficiency and retrofit investments.

BC has already committed to reviewing this topic through the CleanBC plan. We support this review and would like to participate further in this conversation as policy details are refined and analyzed.

Speculation tax impacts on projects under construction

If the federal government proceeds with a speculation or vacancy tax of any kind, there must be a clear exemption for lands under development. We commend the provincial government for listening to concerns in 2018 and implementing reasonable and prudent exemptions in British Columbia for builders that could demonstrate their property was undergoing construction or development.

The provincial framework created for the provincial Speculation Tax should be the federal path forward, if they proceed, to create harmonization between the taxes, and ease for areas already subjected to the provincial or municipal tax in the case of Vancouver. The previous tax year indicates that several thousand housing units would have otherwise been subjected to the tax due to projects undergoing phased developments, vacant inventory or under construction/renovation. **Without this critical exemption at the federal level, this could severely impact housing supply.**

Support the Skilled Trades

CHBA National data indicates that at least 63 different trades could be involved in the building of a new home. Shortages in the skilled trades have impacted new housing supply, and will continue to be an issue with looming retirements in the industry.

This can impact housing supply in a number of ways, including increased project costs, delayed or impacted timelines if less tradespeople are available on any given day, and competition with wages and contracts with other forms of construction that also need workers.

We support any and all efforts that promote the skilled trades as a career. This can also include other supplier roles like building officials and energy advisors that play a big role in housing development.

GST

We encourage the Expert Panel to address the GST to incent activity and improve affordability. Lowering/eliminating GST is a very real reduction in cost to consumers that can spur activity (and GST on other related purchases) while also lowering the size of the mortgages they take on. We encourage the Expert Panel to consider the following:

- Remove GST/HST on new housing to improve affordability, beginning immediately and through to December 31, 2021.
- Update and index the existing rebate program to better reflect current house prices. To do this, raise the eligibility threshold for the rebate to \$500 000, and implement the reduction for homes between \$500 000 and \$750 000. This is more reflective of current home prices, across a range of Canadian markets. The rebate should then be indexed to adjust annually to keep up to changes in house prices.
- Exempt the construction costs of new rental housing and costs of renovating rental housing from GST to reflect the fact that ongoing rental revenues do not benefit from input tax credits.

Follow up

Thank you for the opportunity to participate in this consultation. We recognize this is an ongoing conversation and would be pleased to participate in any additional consultations or discussions on this topic.