

**July 21, 2020**

**Submission to the B.C.'s COVID-19 Recovery Consultation**

Submitted by email at [recoveryideas@gov.bc.ca](mailto:recoveryideas@gov.bc.ca)

**About Canadian Home Builders' Association of BC (CHBA BC)**

CHBA BC represents over 2,100 members in the residential construction industry who work as home builders, renovators, tradespeople, service professionals, and others. CHBA BC members are small and medium-sized businesses creating jobs and economic benefits in all areas of the province.

**Rebuilding B.C.'s Economy Together**

Just as every industry was affected by COVID-19, so too can every industry play a role in BC's economic recovery. We applaud the government on their shared aims with the residential construction industry such as ensuring a safe environment while working to deliver employment opportunities, helping homeowners upgrade to "build back better," building a more sustainable, resilient province, and providing the housing that our province needs. With these shared goals in mind, CHBA BC is pleased to provide our recommendations for practical solutions toward our economic recovery phase. We look forward to collaborating with the government moving forward into the future.

**Residential construction by the numbers (2019)**

The numbers are clear - new home construction and renovation create thousands of good, local, jobs. These benefits stay right where the house is built or renovated. It is also an industry actively seeking new tradespeople as the current generation retires.

	JOBS	WAGES (\$ MILLIONS)	INVESTMENT (\$ MILLIONS)	HOUSING STARTS
Total Residential Construction in BC	213,372	\$13,374	\$25,573	
New Residential Construction in BC	111,331	\$6,971	\$13,481	44,932
Renovation and Repair in BC	102,041	\$6,403	\$12,091	

*The figures, compiled by CHBA National, reflect estimated economic impacts of residential activity for the past year (2019) based on Statistics Canada and CMHC data.*

**Industry Impacts**

Construction is and has been an essential service during the COVID-19 pandemic. We're proud of the way our members quickly adapted to the provincial health officer's safety measures for construction sites. We share our thanks and appreciation to all construction companies that have done everything they can to keep their families and teams safe, while keeping their businesses running.

However, even as an essential service, the residential construction industry is not immune from the COVID-19 economic impacts. The jobs statistics indicated in the [government economic recovery discussion paper](#) (p.7) mirror this, indicating that construction represents 11% of the total provincial job loss from COVID-19. Many good jobs were lost when new home, development and renovation contracts were postponed or outright cancelled.

CHBA BC also surveyed its members in May 2020 to provide a focus on the economic impact caused by COVID-19 in the residential construction industry. Our 151-member company respondents told us that:

- 46% had laid off between 1-4 employees, a significant number with a median staff size of 6.
- Half of the respondents noted an increase in municipal permit timelines, delaying potential worksite activities;
- 57% are using the Canada Emergency Business Account, and only 33% are using the wage subsidy, with many participants indicating the seasonality of construction means they don't qualify; and
- Members overwhelmingly (69%) state that their level of business since March 15 has seen a decrease.

Layoffs, permit delays and supply chain issues have all stymied workplace activity within our industry. Combined with a noticeable overall decrease in business, as noted by more than two out of three of our respondents, it all reflects the challenges our industry faces in continuing to provide the jobs on which our provincial recovery depends.. An injection of stimulus will be particularly important in the next 6-12 months when federal government programs, and members' existing contracts, will both end. New work can be incentivized through many different member suggestions, which we will outline below.

### **Benefits of residential construction for our communities**

The focus of our recommendations is on recovery opportunities with new homes and renovations in BC. Building a new home has many benefits, including:

- Providing employment for up to 63 different trades in the building process for each new home, including electricians, drywallers, painters, landscapers and others;
- contributing to our CleanBC goals, as new homes are more energy-efficient;
- contributing to our 30-point housing plan and providing safe accommodation for British Columbians, something that COVID-19 has taught us is more important than ever;
- providing revenue at all levels of government such as PST, GST, income tax, development cost charges, and community amenity contributions; and,
- generating contracts and purchases from local suppliers for building and finishing materials, such as lumber, appliances, cabinets, tile, and home furnishings.

We encourage the government and the Economic Recovery Task Force to recognize the significant benefits of residential construction and ensure it is included in the upcoming suite of proposals. To do this, here are a few of our ideas to stimulate new home construction and renovation projects in the province.

## CleanBC programs and ideas:

### Reduce PST paid on new construction and retrofit materials

Contractors in new homes and renovations pay PST on almost all building materials, such as lumber and rebar, and finished materials, such as windows, doors, and skylights<sup>1</sup>. Providing a modest decrease in PST for a specific period would be beneficial for BC's economic recovery, particularly for contracts initiated this summer and fall. It also provides an additional incentive to consider new construction in 2020-21.

The list of items exempt from PST could also be specifically aligned to support BC manufacturers and domestic products and our CleanBC goals. **For example, a specific focus on expanding the PST-exempt products for energy conservation materials and equipment, so long as there are ample options available to builders and renovators, and applicable to both new homes and retrofits.**

In addition, any minor PST revenue lost as a result of the rebate would be exceeded by the income tax revenue and job creation sustained, particularly as it would require paperwork and contracts for the work performed -- reducing underground economy activities. We would encourage initiating this in the most straightforward way possible, which we are happy to help discuss in partnership with our builder members.

### Incentivize renovations through expanded programs and tax credits

Renovation work is particularly impacted by COVID-19. Naturally, many renovation contracts were cancelled or postponed due to the stay-at-home orders. With strong safety protocols in place, renovations are safe in BC's recovery plan if families work with a professional and follow the existing construction guidance. It will also support the 100,000+ jobs in renovation and repair across the province.

While BC has a number of program and product-specific rebates through BetterHomesBC, we do not have a holistic incentive to apply for. This is a key area of opportunity for economic recovery and meeting our CleanBC goals. **We recommend two approaches -- one for general renovation work and a second stream for energy-efficient retrofits, which would tie to the CleanBC objectives. That would mean the maximum number of people would benefit, but those doing a retrofit have double the funding.**

A tax credit system for general renovations ensures a professional is involved and the project is completed outside of the underground economy. Newfoundland and Labrador implemented a [renovation and new home rebate](#) in early June, offering up to \$10,000 per project. [Recent reports](#) indicate this has led to a massive increase in consumer spending and is creating new jobs for contractors and renovators. While the metrics could be different in BC, this demonstrates the potential of this kind of measure.

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<sup>1</sup>This [CMHC guide](#) covers some of the many building materials involved in wood-frame construction.

An investment specific to building retrofits can apply across the industry, including existing purpose-built rental, multi-family strata and single-family properties. The benefit of allocating funds through an incentive-based program is that building owners and homeowners can evaluate what changes are right for them, and contractors can review options with their clients for retrofit projects. We suggest a combination of upfront cash incentives and tax credits can encourage homeowners and building owners to participate in this program, accelerating the voluntary adoption of energy retrofits in BC.

The quality of the work performed is paramount. As such, we propose that building owners and homeowners taking advantage of any incentive program work with businesses that provide a GST number and statements of the work performed to access the funding. This eligibility requirement is important to ensure the associated increase in retrofit work goes to professional retrofitters and contractors, not the underground economy.

### **Support skilled trades training**

With the introduction of CleanBC incentive programming, the BC Government is presented with a unique opportunity to enhance trades training and potentially leverage new state of the art technologies. Through **incentives combined with increased educational training**, the province will better prepare BC's workforce to become a leader in energy-efficient construction.

We are committed to working with your government to develop and implement efficient business solutions as British Columbia advances the province-wide economic recovery efforts. By pairing recovery action with climate action through financial incentives to support energy retrofits and upgrades, this will enable our sector to build back better and create new skilled trades jobs for British Columbians.

### **Ideas that support our housing targets and improve affordability**

#### **Implement the Development Approvals Process Review (DAPR) Recommendations**

The work from the province through the Development Approvals Process Review (DAPR) has never been more important, particularly as our society has adjusted to a new normal. This is a significant opportunity to pilot new approaches over the longer term, through joint coordination with ministries and 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 targets.

COVID-19 forced new approaches to meet social distancing requirements, such as meeting virtually for public hearings, taking submissions through digital formats, and waiving requirements for compliant projects.

We encourage the committee to further invest in this type of innovation and continue to advance new approaches for development approvals. We also encourage the committee to work with local governments to **expedite applications that are compliant with Official Community Plans**, to put people back to work faster and build the housing we need.

## **Consider short-term changes to the property transfer tax for new homes**

One clear way to incentivize new homes is through the existing property transfer tax system -- it's easy to implement for a short period, doesn't create new programs, and could benefit buyers province-wide.

The current property transfer tax for new construction is exempt for purchases up to \$750,000. However, this does not benefit the move-up segment of the market or areas of the province with higher real estate prices -- for example, a family in a small condominium that would like to purchase a house, townhouse or larger condo over \$750,000 would pay the full property transfer tax. **We recommend reviewing this threshold as a short-term option for our economic recovery.**

These examples of well-qualified buyers, particularly those who are already planning to move, could be incentivized by increasing the new construction exemption for a limited time. By moving into new larger inventory, it also increases the availability of inventory for others, such as first-time home buyers and renters.

We would recommend limiting the exemption below one million dollars, which is the limit for insured mortgages. It could either take the form of a full exemption or a sliding scale, to provide a full exemption at \$750,000 and no exemption at one million dollars.

## **Address Speculation and Vacancy Tax on small volume projects for the year 2020**

Vacant new inventory on projects above five units qualifies for an exemption. However, due to the economic challenges that COVID-19 presents, we are concerned that home builders with small-volume inventory -- quadplexes, triplexes, and duplexes -- could have vacant new inventory at next year's qualification period. **Therefore, we recommend that the government specifically exempt these types of projects from next year's tax assessment so builders of small-volume inventory can continue or initiate their projects with confidence.**

In the City of Vancouver, the same issue may exist for its Empty Homes Tax. We recommend the two taxes harmonize on this point to provide an exemption in both cases.

## **Encourage development cost charge deferrals to building permit stage**

One of the challenges facing residential home builders is upfront funding for future projects, particularly as cash flow is impacted. By deferring the DCC payment to building permit, it supports builders that have subdivision projects ready-to-go for this building season but need the short-term support to keep projects going. **This does not necessarily mean financial stimulus, but rather encouraging and supporting such regulatory changes to take place to permit this at the municipal level, given that the option already exists for local governments.**

## **Defer planned DCC increases**

Local governments across the province have implemented DCC increases that may be set to come into force in the coming months. For builders currently struggling, this is not going to help the current situation.

**We recommend that the provincial government work with local governments to extend and grandfather planned DCC increases beyond existing grandfathering periods in the legislation.**

Again, this is not direct financial support, but rather initiating the tool to be used by local governments that can afford to do so.

## **No to prompt payment legislation**

Contractors in the residential construction industry deserve to get paid on time. Their livelihoods and families depend on it. CHBA BC believes in timely payment and the Builders Lien Act helps enforce compliance when there are problems. Recent efforts to import “prompt payment legislation” from Ontario will create unnecessary duplication and increase costs for needed housing.

The one-size-fits-all approach would apply the same rules to both small residential construction companies and multi-billion dollar public infrastructure projects. It would apply unreasonable timelines for payment and implement adjudication to settle discrepancies.

Though well-intentioned, it is an imperfect policy. If imported to BC as is, it will negatively affect the financial capabilities of small businesses involved in residential construction contracts. There is no unanimous opinion on this issue, **and we disagree with any claims that it's the problem solver for COVID-19.** For our small business members, it would be the complete opposite and could make their current situations even worse, ultimately affecting housing affordability.

**Prompt payment should not be dealt with through the economic recovery process.** Rather, any discussions on prompt payment require all parties to be at the same table.

## **Conclusion**

Home builders and renovators are a key group that will build the homes we need across British Columbia. We are also an essential source of over 200,000 jobs and economic activity -- creating revenue and improving our fiscal footing to support the programs and services we need.

We have suggested short-term options to help B.C. weather this upcoming period, support housing demand across the province, and help home builders and renovators maintain and create jobs province-wide for their companies and the trades they work with.

We encourage you to continue to review our recommendations. Please let us know if we can provide any additional feedback to the committee.

## **Summary of Recommendations**

1. Reduce PST paid on new construction and renovation materials, with a specific focus on expanding the PST-exempt products for energy conservation materials and equipment.
2. Incentivize renovations through expanded programs and tax credits, with one stream for general renovations and a second supplementary option for energy-efficient retrofits.
3. Support skilled trades training, particularly in energy-efficient construction.
4. Implement the established opportunities from the Development Approvals Process Review, with a particular emphasis on expediting applications that are consistent with official community plans.
5. Consider short-term changes to the property transfer tax for new homes.
6. Address Speculation and Vacancy Tax on small-volume development projects.
7. Encourage local governments to collect development cost charges at the building permit stage.
8. Encourage local governments to defer planned development cost charge increases.
9. Defer prompt payment discussions to a wider consultation with stakeholders outside of economic recovery consultations.