

Concept Policy Memo

September 18, 2020

1. Reduce PST paid on new construction and retrofit materials

Context:

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 skylights¹. Providing a modest decrease in PST for a specific period would be beneficial for BC's economic recovery.

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.

Recommendations:

Providing a modest decrease in PST for a specific period on materials and equipment used for home building would be beneficial for the economic recovery of B.C.

Target Audiences:

Homeowners, contractors and building supply companies.

Public Benefits:

The province of Saskatchewan implemented this policy as a means for “economic stimulus” with the additional purpose of leading to an increase in inquiries for builders and helping restore consumer confidence to the residential construction industry. This is a prime example of industry and government collaborating together to meet the needs of consumers.

This policy also has many downstream effects beyond the builders themselves, such as any businesses in the supply chains that may be benefiting from any increased sales, as well, anyone seeking to build a new home or renovate can benefit from this.

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

2. Implement the Development Approvals Process Review (DAPR) Recommendations

Context:

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.

Recommendations:

We encourage further to invest in this type of innovation and continue to advance new approaches for development approvals. Sufficient work has gone into this plan and we encourage the next government to take this plan and move forward; additional studies are not needed; we know what the problems are.

In particular, there are many aspects of the DAPR plan that can be activated right away. For example, we also encourage the next government to immediately 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.

Public Benefits:

Housing targets have been put in place throughout B.C. both by municipalities, regions and the province. According to the first quarter update (October, 2019) from the Affordable Housing Investment Plan Report, 37 per cent of projects have been delayed by more than six months and 22 per cent have had minor schedule adjustments. Further delays have occurred due to COVID-19; however, the full effects of the pandemic on the residential construction industry have yet to be realized.

Movement forward with the DAPR Plan also has broad support from the residential construction industry reflected in its inclusion in the Select Standing Committee on Finance and Government Services’ report.

Part of the purpose of the DAPR Plan was to formulate ideas that would help expedite the residential construction development process. Implementing and/or testing the recommendations laid out in this plan - regardless of their success - will reflect to the people of B.C. that their government understands how important it is to provide adequate housing.

3. Adjust Property Transfer Tax thresholds for first time buyers to reflect increase in average home prices

Context:

Home buyers across the province must consider their closing costs when evaluating a home purchase. This includes the provincial property transfer tax (PTT). This tax structure was first implemented in the 1980s with few amendments. A modern adjustment to today’s prices is warranted.

Increasing the program threshold to at least \$750,000 would allow more first-time home buyers to take advantage of the significant tax savings in this program. Qualified first-time home buyers are critical for a healthy housing continuum in British Columbia.

These programs could then be adjusted concurrently as necessary.

Recommendations:

Increase the first-time home buyer exemption threshold to \$750,000.

Target Audiences: First-time homebuyers are the primary audience of this policy. The demographics of first-time homebuyers is outlined as such by CMHC:

- 49% of first-time buyers are Millennials (25-34 years old);
- 40% are married;
- 80% are employed full-time;
- 61% purchased a single-detached home;
- 26% have a household income of \$60k – \$90k; and,
- 22% are newcomers to Canada.

Public Benefits:

The Canadian Mortgage and Housing Corporation (CMHC) currently has implemented and extended several policies that make it even more difficult for first-time buyers to break into the housing market. These policies include stricter lending practices, changes to the mortgage stress-test, and the cap on amortization schedule capped at 25-years. A B.C. provincial government could be seen as aiding first-time buyers, primarily made up by Millennials, by **increasing the threshold to \$750,000.**

4. Incentivize renovations through expanded programs and tax credits

Context:

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 several 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.

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. 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.

Recommendations:

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.

Public Benefits:

Consumer confidence across various industries has been shaken by COVID-19. Implementing this policy will help to restore confidence in both the renovation and related supply industries by encouraging residents to engage in renovations, while also increasing provincial tax revenue through the purchase of goods and services. An investment specific to building retrofits can apply across the industry, including existing purpose-built rental, multi-family strata and single-family properties.

5. Tax credit or incentives for proper material disposal

Context:

A recurring problem across British Columbia is dumping of construction materials. Based on a survey conducted by the [Recycling Council of British Columbia \(page 3\)](#) there are two main factors that contribute to illegal dumping: cost or inconvenience of proper disposal (especially when facilities are located on the outskirts of cities) and lack of education.

Proper contractors take care to properly dispose of materials and maintain safe workplaces. However, some landfills require that the resident drop off the materials, or where homeowners hire underground economy or unscrupulous contractors. It is clear that penalties do not dissuade these activities. In the same study, there are also millions of dollars spent by cities to deal with illegal dumping.

In addition, this problem area has been noted by several provincial ministries:

The Ministry of Agriculture is “cracking down on the dumping of construction debris, toxic waste and other fill in the ALR.”

The Ministry of Labour consulted with stakeholders on “Keeping Workers, the Public and the Environment Safe from Asbestos” and reviewed the possibility of an incentive for the safe removal and disposal of asbestos.

Recommendation:

Create a tax credit incentive tied to proper disposal of construction materials.

Public Benefits:

This approach targets both issues identified by the RCBC. First, it mitigates the cost of proper disposal. There is no doubt there is a cost involved to doing things the right way, and affordability is a key concern for British Columbians everywhere.

It creates an education opportunity to inform homeowners about proper disposal and their requirements. In order to receive the incentive, proper paperwork from the disposal site should be required and a receipt of the work performed. The paperwork also encourages homeowners to work with professional contractors that will provide receipts - a key aspect to dissuade underground economy activity.

By introducing an incentive, this will bring together many identified problem areas under one solution and help to bring more renovations away from the underground economy. When homeowners are educated, this takes place. Municipalities may be able to decrease their costs tied to illegal dumping, and potentially hazardous materials may be properly disposed of rather than left in communities.