

October 16, 2017

Select Standing Committee on Finance and Government Services
c/o Parliamentary Committees Office, Room 224, Parliament Buildings
Victoria, BC V8V 1X4
Submitted via email to FinanceCommittee@leg.bc.ca

Dear Committee members:

The Canadian Home Builders' Association of British Columbia (CHBA BC) is pleased to provide this pre-budget submission for 2018. CHBA BC represents 1,900 members in the residential construction industry who work as home builders, renovators, tradespeople, service professionals, and others. CHBA BC's members are small and medium-sized businesses creating jobs and economic benefits in all areas of the province. Overall, the residential construction industry represents over 158,000 on-site and off-site jobs, \$9.2 billion in wages, and \$23.1 billion in investment value.

Housing affordability is one of the top issues facing British Columbians. It affects everyone: employers looking to recruit workers, renters, seniors looking to appropriately downsize or age in place, or first-time home buyers trying to enter the housing market. It will have long-term effects if not properly addressed in the coming years.

The entire housing spectrum should be considered in Budget 2018 and the upcoming provincial housing strategy, including market housing affordability. The reality is that over 96% of residents live in market-provided homes, whether owned or rented. While social housing investments are very encouraged, there are other actions the provincial government can take that would provide relief for market housing buyers or renters as well. This means that new social housing units could go to those in most urgent need.

With this in mind, please consider the following recommendations from CHBA BC:

1. Restructure the Property Transfer Tax

With rising prices, the property transfer tax (PTT) burden on home buyers has also increased. At the same time, provincial revenue from the PTT has never been higher – over \$2 billion in 2016/17 – as a result. This tax structure was first implemented in the 1980s with few amendments. A second look at the rising amount of tax paid by home buyers is warranted.

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

The average residential property price in British Columbia is expected to increase to over \$700,000 this year. 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. At present, first-time home buyers are approximately 20 per cent of buyers, a key demographic in the housing market.

It would also create consistency by keeping the thresholds the same for all housing programs, including the newly-built home exemption and the current BC HOME Partnership program. These programs could then be adjusted concurrently as necessary.

b) Increase the 2% PTT threshold from \$200,000 to at least \$525,000.

When the PTT was first introduced, it was a luxury tax. Now, many properties are priced well above the \$200,000 threshold. This measure would help all consumers for both new and existing homes, and is an immediate way to decrease the tax burden on British Columbians.

c) Review the PTT thresholds annually for the 2% and 3% thresholds, the First-time Home Buyers program, and the Newly-Built Home Exemption.

As prices rise, these programs will have to be adjusted to ensure the maximum number of British Columbians can benefit.

d) Grandfather existing contracts and encourage industry consultation when introducing any changes to tax measures on housing.

Home buyers can commit to newly-built projects months and years in advance, using the knowledge and financial information available at the time of purchase. It is unfair to make changes and not honour contracts in place, for both home building businesses and the purchasers. This was not done in August 2016 with the foreign buyers' PTT, which caused a panic for many buyers as a result.

CHBA BC also recommends industry consultation in advance of new housing measures. Home builders can contribute valuable insight to any provincial discussion of runaway residential land prices and speculation, with first-hand experience on the ground. This is especially important in areas with a shortage of available land, as the rising land prices can also price out home builders from starting new projects.

2. Eliminate the Reconstruction Loan Portfolio fees

Since 1998, home builders have been paying a \$750 per unit fee for each unit registered in multi-unit buildings with BC Housing. The fee was first established to provide financial assistance to eligible owners of homes requiring construction to repair building envelope failures.

The problem with this fee is that effective July 31, 2009, the Homeowner Protection Office stopped accepting applications for loans and the program officially ended in 2010. Yet, builders are still paying for this program with each multi-unit fee.

There is still approximately \$80 million in outstanding liabilities with this program, and it is paid off at a rate of approximately \$10.5 million per year. With increasing property transfer tax payments and other new charges, removing unnecessary fees for new home buyers using PTT revenue where appropriate should be considered.

3. Introduce a Renovation Tax Credit for Energy-Efficiency

British Columbia's construction stakeholders have been drafting the B.C. Energy Step Code over the past 18 months. The Energy Step Code sets a path to net-zero construction by 2032, with incremental changes in the building code. However, these changes will only be on new housing.

The reality is that homes built today are already 47% more energy efficient than homes built pre-1985. The real opportunity to benefit homeowners and decrease greenhouse gases is incentives for energy retrofits.

The provincial government can incent such changes with a renovation tax credit for energy efficiency. The policy structure for a tax credit is already in place as British Columbians already deduct the costs of renovating for seniors or individuals with disabilities. Adding energy efficiency to the existing policy is a logical next step.

Research indicates that every dollar invested in an energy retrofit yields four to seven times more energy savings than a dollar spent upgrading a new home. This benefit could be for both market and social housing units, which are equally in need of energy-efficiency repairs, for the long-term benefit of owners and tenants.

A renovation tax credit is the best model to approach this issue because it is a voluntary program, and also fights the underground economy in the renovation sector. Home owners and housing operators will have to work with a contractor that will provide receipts.

There is no doubt this would be a popular move for home buyers. The previous LiveSmart BC program worked with over 100,000 homeowners. However, using the existing renovation tax credit system is a lower administrative burden for B.C.'s utilities, and creates consistency for homeowners when looking at renovation incentives.

Conclusion

Housing costs will rise over time, but the rate at which they rise is impacted by many factors. This includes labour costs, land costs, material costs, taxes, fees, and charges. There are tools within provincial control that can immediately decrease the taxes and fees paid by home buyers. CHBA BC encourages restructuring the property transfer tax and eliminating the reconstruction loan fee.

The provincial government could also benefit existing houses with a renovation tax credit for energy efficiency. If B.C. wishes to be a climate leader, this voluntary incentive will make a big difference.

Lastly, a focus on market housing affordability should be a priority for the provincial housing strategy and any budget investments. Many residents are attracted to B.C.'s growing economy, universities, and job opportunities. However, the majority of new residents are settling in urban centres, the areas with acute affordability challenges. In order for British Columbia to accommodate the expected population growth, a focus on market affordability and supply – such as land-use policies, transit investments, and density – will be an important part of the conversation.

Thank you for this opportunity to provide input.

Sincerely,



Neil Moody
Chief Executive Officer