



**URBAN DEVELOPMENT INSTITUTE – PACIFIC REGION**

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October 16, 2017

Select Standing Committee on Finance and Government Services  
Room 224, Parliament Buildings  
Victoria, BC V8V 1X4

Dear Chair D'Eith,

On behalf of the members of the Urban Development Institute (UDI) we respectfully submit our comments and recommendations for consideration during the Select Standing Committee on Finance and Government Services' Budget 2018 Consultation.

UDI is a non-profit and non-partisan association of the development industry and its related professions. With over 700 members, UDI Pacific represents thousands of individuals involved in all facets of land development and planning, including: developers, property managers, financial lenders, lawyers, engineers, planners, architects, appraisers, real estate professionals, local governments and government agencies.

Since 1972, the UDI Pacific Region has been dedicated to fostering effective communication between the industry, government, and the public; and aims to improve both housing and job opportunities for all British Columbians. UDI Pacific also serves as the public voice of the Real Estate Development Industry, communicating with local governments, the media, and community groups. UDI concentrates its activities in three primary areas: government and community relations, research, and professional development and education.

The Real Estate and Development Industry has a significant impact on employment, economic growth and government tax revenues. No where in Canada is this truer than British Columbia where the industry represents one-quarter of the Province's GDP. An independent analysis found that the development industry every year in B.C.:

- Contributes over \$17 billion to the provincial GDP;
- Employs over 200,000 British Columbians; and
- Generates \$3.5 billion in revenues to governments at all levels.

I would like to thank the Committee and staff for allowing UDI and other stakeholders the opportunity to provide our recommendations to all parties of the Legislature through a written submission.

We have three key focus areas for the 2018/2019 Budget that we hope the Government, the Opposition and the Green Caucus will consider:

- Boosting Housing Supply
- Transportation Investment and Transit Orientated Development
- Tax Compliance and Enforcement

My overriding focus will be on housing affordability, as this challenge has been the focus of much debate in the media, certainly between all parties in the May election, and regularly at coffee shops, playgrounds, and kitchen tables all across our province.

### **Boosting Housing Supply**

As our first key focus, it's important to reiterate our position that a key solution to address our affordability challenge is boosting the supply of housing – from homeless shelters and supportive housing to market housing rental and ownership units. All along the housing continuum, the supply of units needs to increase.

We all are aware now that the price of housing is a function of supply and demand. And while there may be a lot of talk about boosting housing supply, by and large it continues to just be talk, as governments continue to be almost solely focused on demand-side measures.

Federally, mortgage lending restrictions have been increased over the past eight-years. The previous Provincial Government introduced:

- a 3% *Luxury Tax*;
- a 15% *Foreign Buyers' Tax*; and
- enhanced regulations for realtors.

Provincial parties during the last election also proposed several more demand-side measures. While the City of Vancouver is implementing its *Empty Homes Tax*, and is now considering marketing restrictions for pre-sale housing units. Other communities are looking at these options as well.

The results have been mixed at best. Housing prices at the high end of the market were temporarily impacted, but overall market prices remained strong due to local demand – especially for multi-family dwellings. According to the Ministry of Finance, only 4% to 5% of the units sold in British Columbia are purchased by foreign buyers.

The new Government may also consider a 2% speculation tax for "*People who buy property in BC but don't live or work here and leave their property empty ...*".

While UDI accepts that demand side measures are a key part of the affordability equation, we recommend that before further demand measures are implemented, a cumulative assessment be undertaken that evaluates the demand side impacts thus far, as well as take a renewed look at ensuring everyone pays their fair share of taxes and that any potentially fraudulent activity is eliminated from the marketplace. And I'll come back to that important aspect near the end of our submission.

We are also asking the provincial government to take on a leadership role to now focus on policies that will facilitate the significant boost to the supply of housing that will stimulate competition in today's tight marketplace. This is an area where there

has been a dearth of action at senior government levels; all the while, development review and approval processing times are taking longer, and longer at the local level.

Currently, housing supply is not keeping up. And as you know better than most, housing supply needs to substantially increase, if we are going to adequately house the almost 1.4 million people who will be moving to B.C. over the next 25 years, and our kids and grandkids that want to stay and grow in our province.

Members of your Committee all represent established and in many cases relatively rapidly growing communities. The South Island, Surrey, Maple Ridge and Metro Vancouver, Kamloops, the Okanagan, and the Comox Valley. These are all well-established communities and neighbourhoods, that will face significant change if we are going to meet the challenge to accommodate our population of the future.

As you well know, many are facing these challenges now. For example, one of our members recently had a waiting list of 3,500 people to purchase 370 condominium units in Coquitlam, almost 99% of which were local buyers. This has become commonplace in the Lower Mainland.

We are pleased that the new Government is committed to deliver 114,000 rental, social and co-op homes over the next decade as part of its broader comprehensive housing strategy. To achieve this ambitious objective, the Government knows it will require partnerships, and the development community is eager and standing by, ready to engage and support this laudable goal.

Many of our members are looking for opportunities to build purpose built rental housing; however, due to market conditions, in many cases incentives will be needed to facilitate investment on this large scale. The Government's commitment of a \$400 annual renters' rebate would be a good start, but additional steps must be taken.

UDI has asked the Federal Government to introduce (and reintroduce) tax incentives for purpose built rental projects. We are now also asking the Province to do the same. There are several tax changes the Province could introduce that would incentivise rental construction, including:

- **Property Transfer Tax (PTT):** Developers pay the PTT when assembling sites for rental projects, which could be rebated to developers of purpose built rental projects;
- **The Foreign Buyers' Tax:** This tax should also be exempted for both foreign developers assembling sites for multi-family housing, and for investors purchasing units and then renting them to Canadian residents;
- **Provincial Sales Tax (PST):** During the discussion regarding the Harmonized Sales Tax, the Province indicated that development projects had an imbedded PST of 2% from construction materials, which could also be rebated to developers of purpose built rental projects; and

Also, if we are going to achieve the 114,000-unit goal, funding is also going to be needed, so local governments can increase the number of Area Plans, and substantially reduce development approval timeframes. Training and education resources need to be enhanced, as we are going to need more planners, design consultants, trades, building officials – especially with are aging demographic trends. We would also like to work with the Province on expanding the modular housing industry. This could bring efficiencies to the construction of buildings. The new Government's investment of \$291 million for 2,000 housing units for people who are

homeless is a good start in this effort – as well as being a very positive social investment.

Again, we are requesting the provincial government to take on a leadership role, and work with all stakeholders including local governments, to shift the focus to policies that will boost the supply of housing across the housing continuum. We don't believe we can just tax our way to affordability, and that a serious surge of supply is now needed to stimulate competition in the marketplace to meet the current housing needs of today, and into the future.

### **Transportation Investment and Transit Orientated Development**

UDI's second key focus is the significant investment required to dramatically expand transit and the coordinated public policy needed to boost the supply of housing near transit hubs.

We are now in year four of the Mayors' Council *10-Year Vision*, with the funding agreements with senior governments for Phase 2 not yet completed, and the regional funding source for TransLink still has not been finalized. The major projects, the Surrey LRT, the Broadway Millennium Line Extension, and the Pattullo replacement have not broken ground. With the loss in toll revenue, the funding gap may in fact have grown worse. UDI and other stakeholders in the Better Transit and Transportation Coalition applaud the government's commitment to fund 40% of the entire Mayors' 10-Year Plan and urge the government to provide certainty by securing the funding agreements with partners as soon as possible.

This issue is so important to the industry that we have been supportive of a regional transit infrastructure charge on new development in Metro Vancouver. As you likely know, the industry usually isn't supportive of new development fees or taxes, because of the real impact on housing affordability for the end user. However, in this case, we support a regional DCC for transit and believe the impact of these charges on affordability can be mitigated due to the benefits of transit investment on affordability.

For example, the Surrey LRT will allow access to more affordable land South of Fraser and allow people who live there to connect to employment and education opportunities throughout the Region, including the Broadway Corridor, which will be served by the proposed Millennium Line Extension.

We don't just urgently need rapid transit investment in the Lower Mainland, but we also need it in Victoria and the South Island, and connecting Kelowna and the communities of the Okanagan.

However, to fully leverage the taxpayer investments in these lines, the Province has to ensure that appropriate land use policies are implemented at stations and along transit corridors.

There is little point in investing in billions of dollars in transit infrastructure if only a few people are allowed to live and work nearby. UDI continues to call for provincial growth targets near new transit lines and stations. Ideally, the TransLink charges on new development can be directly linked to increases in density for projects within 400m to 800m of transit stations. This could be done through pre-zoning, which would also speed up municipal approval times for those development projects and accelerate the supply of housing units.

This Transit Oriented Development (TOD) approach will help meet other provincial objectives that all political parties support, including:

- Fully leveraging tax-payer investments in transportation infrastructure with increased ridership;
- Economic development benefits from a more connected region (we note the recent Amazon RFP for the HQ2, included expectations for increased transit access);
- Carbon emission reductions as multi-family units are smaller and better protected from the elements, and people are more likely to walk, bike or take transit to destinations rather than cars;
- Improved public health (and thus lower health-care costs) as people are utilizing more active transportation options; and
- Improved affordability for households as multi-family units are smaller and vehicle ownership/commuting costs are lower for households in TOD areas.

But we fully acknowledge that these conversations about how are communities need to change are not easy to have; with local governments and with local neighbourhoods. These actions will require provincial leadership and UDI would be a willing partner to move this overdue discussion forward.

### **Tax Compliance and Enforcement**

Our third and last focus area is the need to build public confidence that everyone pays their fair share of real estate taxes and that any potentially fraudulent activity is eliminated. As I mentioned earlier, before additional demand side taxes are considered we need to make sure that there is compliance with the existing measures.

As such, UDI strongly supports the government's commitment to establish with the Federal Government "*a multi-agency task force to fight tax fraud and money laundering in the BC real estate marketplace;*"

Our industry wants to ensure that everyone pays their share of taxes and that potentially fraudulent activity is eliminated. If tax evasion is occurring because of loopholes, those loopholes need to be closed. If privacy laws need to be amended, so data can more easily be shared between the industry and governments, then the needed legislation and regulations should be updated.

However, it would be absolutely critical that our industry be extensively consulted, so any unintended consequences can be mitigated. Our members are prepared to support government efforts to build confidence in the real estate industry and could provide any required information as part of this work.

In conclusion, thank you, again, for the opportunity for UDI to present its pre-budget recommendations to your Committee. We hope that you will consider our suggestions to take steps to boost the supply of housing across the housing continuum, move quickly to confirm funding for transit expansion, and work in partnership with the industry to boost confidence that taxes are being applied and collected appropriately.

If

any Committee members have any questions regarding our recommendations, please do not hesitate to contact me. We would be pleased to meet with you at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read 'Anne McMullin', with a stylized flourish at the end.

Anne McMullin  
President and CEO

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October 16, 2017.Doc