

UDI Policy Alert - BUDGET 2017 SEPTEMBER UPDATE

Sept. 11, 2017

Budget 2017 September Update Commentary:

UDI welcomed the recognition from the Minister of Finance that the housing affordability crisis can't be addressed in a piecemeal approach. We also were relieved to see the new government didn't rush to introduce any new demand-side housing measures or taxes in this budget update. The Minister of Finance did announce today that government will embark on a comprehensive approach to address housing affordability over the Fall.

UDI looks forward to working with the Provincial government, municipalities and stakeholders on this approach. The government's comprehensive housing strategy must properly address the barriers to planning, approving and constructing new homes within a coordinated transportation and land-use plan, if we are going to successfully make progress on affordability issues.

The government's announcement of \$500 million on housing initiatives to create 1,700 rental units and 2,000 modular housing units along with support services for low-income earners and the homeless is a positive first step towards the NDP commitment to help build 114,000 units of housing over 10 years.

However, UDI is concerned about the new tax measures that could negatively impact our economy. The increase in corporate income tax, a higher income tax for those who invest in the economy and the elimination of the revenue neutrality provisions of the carbon tax could hurt B.C.'s overall tax competitiveness.

UDI was also disappointed the major projects of Metro Vancouver's regional transportation plan (Mayors' 10-year plan), a key to addressing housing affordability, were not advanced. We are concerned that a potential drop in revenues by eliminating tolls would mean that funding for the major pieces of the Mayors' plan will fall short, or result in further delays.

A recap of the Budget Highlights follows. I welcome your comments.

Anne McMullin
President and CEO, UDI

Encl. BUDGET 2017 HIGHLIGHTS

Budget 2017 September Update Highlights:

- Budget 2017 September Update projects surpluses of:
 - \$246 million in 2017-18
 - \$228 million in 2018-19
 - \$257 million in 2019-20
- Due to stronger than anticipated consumer spending, plus the robust real estate and construction industry and export activity, the Ministry of Finance's forecast for B.C. real GDP growth in 2017 was upgraded to 2.9%, compared to the 2.1% projected in February's Budget 2017.
- Over \$1.8 Billion in new ministry spending over 3 years to:
 - Improve affordability
 - Enhance services
 - Build a strong and sustainable economy

Housing

- Nearly \$500 million on housing initiatives which represents the new government's first steps towards a comprehensive approach to addressing homelessness and housing affordability.
 - Modular Supportive Housing: \$291 million for the construction of 2000 modular housing units.
 - Affordable Rental Housing: \$208 million over four years to support the construction of over 1,700 new units of affordable, low-income rental housing
- \$7 million over three years for the Residential Tenancy Branch
 - To reduce wait times for dispute resolution services and to establish a new compliance unit.

Taxation

- PST on electricity phased out beginning with a 50% cut, effective fall 2017 and eliminated April 2019.
- Small business corporate income tax rates reduced to 2% from 2.5% effective April 1, 2017.
- Increase of 1% to the general corporate income tax rate from 11% to 12%.
- On April 1, 2018 the carbon tax rate will increase by \$5 per tonne of CO₂. The requirement for the carbon tax to be revenue-neutral is eliminated. Rate will be \$50 per tonne in 2021.
- Introduction of a personal income tax rate of 16.8% (up from 14.7%) on taxable income over \$150,000.
- Elimination of the International Business Activity Program (Advantage B.C.)
- A new commission this fall will study how to phase out MSP premiums entirely over the next four years, with details expected in the next budget.

Transit and Transportation

- The public and private sectors will provide approximately \$4.7 billion for transportation investments over three years, including \$1.3 billion of investment leveraged through federal cost sharing and other partnerships.

K-12 Schools

- Over the three years of the government's capital plan, \$2 billion will be invested to maintain, replace, renovate and expand K-12 schools, including an investment to accommodate increasing enrolment in growth districts.

Details:

- Up to 5,200 new student seats in Surrey with an investment of \$217 million over the next three years to address the substantial growth in this area.
- New Grandview Heights Secondary School will provide 1,500 additional spaces in Surrey with completion expected in 2020.
- Smiling Creek Elementary in Coquitlam will provide 430 student spaces as well as a Neighbourhood Learning Centre when it opens in September 2018.