



URBAN DEVELOPMENT INSTITUTE – PACIFIC REGION

#200 – 602 West Hastings Street
Vancouver, British Columbia V6B 1P2 Canada
T. 604.669.9585 F. 604.689.8691

www.udi.bc.ca

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The Hon. George Heyman
Minister of Environment & Climate Change Strategy
Province of British Columbia
PO Box 9047 Stn Pov Govt
Rm 112, Parliament Buildings
Victoria BC V8W 9E2

Dear Minister:

RE: Towards a Clean Growth Future for B.C. Intentions Papers

On behalf of our 850 members, the Urban Development (UDI) respectfully submits its comments on the Government's three *Intentions Papers* to support the vision of a clean growth future for British Columbia. We endorse the objective of clean growth, and believe "... *that actions to cut greenhouse gas (GHG) emissions can be win-win,*" for the environment and the economy. As noted in the Introduction of *Towards a Clean Growth Future for B.C.*, "*Between 2007 and 2015, our net greenhouse gas emissions declined by 4.7%; at the same time, our GDP grew by 16%.*" We also believe, our industry is well positioned to take advantage of the estimated \$2.5 trillion global cleantech market. UDI is also generally supportive of the directions proposed in the *Papers*, but we do have several some concerns and propose recommendations that we ask the Government to consider.

ABOUT THE URBAN DEVELOPMENT INSTITUTE AND THE REAL ESTATE & DEVELOPMENT INDUSTRY

UDI Pacific Region is a non-profit and non-partisan association of the development industry and its related professions in British Columbia. UDI 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.

The Real Estate and Development Industry, which we represent, has a significant impact on employment, economic growth and government tax revenues. An independent MNP analysis found that the B.C. development industry annually:

- Contributes almost \$23 billion to the provincial GDP;
- Employs over 230,000 British Columbians; and
- Generates \$6.6 billion in revenues to governments at all levels.

Since 1972, UDI Pacific Region has been a “*partner in community building*” with governments and the public; and aims to improve both housing and job opportunities for all British Columbians in a sustainable manner through a positive policy/regulatory framework. UDI Pacific also serves as the public voice of the Real Estate Development Industry, communicating with local governments, the media, and community groups. UDI also has extensive education programs in which emerging trends, new government initiatives and best practise are shared with the membership.

UDI has been a strong advocate for sustainable development practices. We were part of the original stakeholder Committee in 2014 that established the parameters for what would become the *BC Energy Step Code (ESC)*, and we continue to sit on the Energy Step Code Council. Through our educational programs, we also offer a wide range of seminars on environmental issues. We would be pleased to work with the Province in educating our membership on the initiatives that emerge from the *Intentions Papers*.

CLEAN, EFFICIENT BUILDINGS INTENTIONS PAPER

The *Clean, Efficient Buildings Intentions Paper* will have the most impact on UDI members. There are several proposed Actions identified in the Report on how our sector can reduce GHGs – most of which we support.

Energy Labelling Requirement

UDI supports the Province moving forward with an energy labeling program. There has been success with labelling programs in places such as the United Kingdom in reorienting the market to encourage more energy efficiency and reducing GHGs. In addition to providing tenants with an understanding of the full costs of the spaces they are renting, this information may also allow lenders to adjust mortgage policies to support the purchase of more energy efficient homes (which can have higher initial costs). However, UDI has several recommendations.

- **We recommend for new construction that no additional testing beyond what is required for the ESC and the B.C. Building Code should be required**, as these projects already undergo substantial modelling, testing and reviews.
- To ensure that the program is not too onerous for new construction, **we also suggest that for multi-unit residential and commercial buildings, testing not be required for a minimum of five years**. This approach is similar to what has been adopted for emissions testing of new cars.
- UDI also supports the notion of **using the data from the Labelling program to determine where and how best to utilize incentive programs (see below) to improve the energy efficiency of buildings**, so governments and utilities can ensure their funding provides the most benefit.

Financial Incentives for Retrofits

If the Province is going to introduce a Labelling Program and a Building Code for Existing Buildings (see below), it is imperative that such initiatives come with

substantial incentive programs to help building owners fund upgrades to their properties. As such, UDI supports this proposed Action. Current programs will need to be expanded and new ones will have to be developed. We are also pleased that low-interest financial mechanisms (e.g. on-bill financing) are being considered. With these programs, funding goes much further as the economic benefits from improved energy efficiency can be reinvested into the programs. Investors in the future may also be attracted to such programs. Again, UDI has additional recommendations.

- As noted above, **the incentive programs need to be substantial given the proposals for a Labelling program and the Building Code for Existing Buildings.** Without incentives, it will be difficult for retrofits to occur without impacting rents and strata fees, which may be unaffordable for many tenants and homeowners.
- At the same time, the **Government should be discerning where money is invested, because for some buildings it could be more advantageous that redevelopment occur – rather than renovations.** It would not be cost efficient to heavily invest in building upgrades in areas where municipal plans are in place that encourage the densification of sites, as those upgrades and the embodied carbon would be lost when the buildings are demolished. Decisions will have to be made on a site-by-site basis. For example, it would likely be more cost effective and environmentally friendly to redevelop a sixty-year-old three-storey rental building next to a SkyTrain station than to make substantive seismic and energy efficiency upgrades to it. It would be better if the government funding was used instead, to increase the number of low-end market rental units on the site during the redevelopment process, and to assist tenants in relocation.
- The proposed financial mechanisms could also work for green building technologies such as Low Carbon Energy Systems, in new projects as well. **We ask that the Province to work with industry to expand the application of financial mechanisms to new construction.**
- Currently, there are also property tax disincentives to improve the energy efficiency in buildings. When buildings receive energy efficiency upgrades, the valuations increase, and as a result so do the property taxes. **We recommend that the Province introduce a Green Property Tax Program to offset tax increases due to energy efficiency upgrades for its portion of the property tax, and encourage local governments to do the same.** A similar approach was utilized in *Budget 2018* for property tax incentives for new purpose-built rental housing. Again, we ask that if a Green Property Tax Program is developed, it apply to both new and existing buildings.

Stronger Codes and Standards/New Building Code Commitments

UDI is supportive of the *Energy Step Code* being gradually incorporated into the *B.C. Building Code (BCBC)*. As noted above, we have been involved in the development of the *ESC* since its inception four years ago. One of the key reasons we supported the *ESC* was to ensure that governments had a consistent approach to energy efficiency and green buildings. The *Energy Step Code* (in addition to the *Building Act*) has provided this. Municipalities may be adopting the *ESC* at their own pace, but they are still all going in the same direction. We are pleased that the Province is proposing to follow the *ESC* in its efforts to ensure that the *BCBC* aligns with the *National Building Code* requirements for net zero energy ready buildings for new construction by 2032.

Incentives are also being proposed (see below), which will assist developers in meeting the requirements. UDI has several recommendations that we ask the Province to consider.

- While we agree with the proposed stages and roadmap for incorporating the *ESC* into the *BCBC*, **it will be critical to confirm that the costs/benefits and industry capacity are in line with expectations and any unintended consequences have been addressed before we amend the *Building Code* to increase the requirements across the Province (including the non-urban areas) at each stage.**
- Several local governments have District Energy Systems (DEs), which will face challenges when the buildings they connect to require less and less energy over the next 14 years. Our members have already seen in some municipalities substantial new charges being imposed on their projects (~\$150,000) for mandated connections between their buildings and DEs at the same time the *ESC* is being adopted. We are very concerned about what will occur when higher steps are mandated under the *BCBC* for Part 3 new construction. Will our industry be saddled with the upfront capital costs of DEs? This would undermine affordability for businesses, renters and homebuyers. Currently, no one in the Provincial Government has responsibility for municipal DEs. **We ask that the Government provide clear authority to a Provincial agency or Ministry to address industry concerns regarding how municipal DEs will operate when higher steps of the *ESC* are mandated.** One option could be exempting higher steps of the *ESC* where DE connections are mandated. Another option could be adjusting the *Energy Step Code*, which may be needed if GHG reduction targets are added to it (see below).
- The Province can also assist the industry by improving the Alternative Solutions process or establishing a similar approval mechanism for new approaches and products. As new designs and technologies emerge to help our members meet the increasing *ESC* steps more cost effectively, **we need an Alternative Solutions process with fewer delays at the municipal level. Ideally, when the design methods described in alternative solutions become standard industry practice, such design features should be incorporated in the *BCBC* as acceptable prospective solutions. Proponents will also need quicker access to provincial decisions regarding new approaches/products in cases when they are unable to obtain municipal approvals.** This is important because delays add costs to projects. Our members will avoid innovative solutions – even if they reduce costs – if they take too long to be approved.
- Achieving the goal of net-zero energy ready buildings for new construction by 2032 will be extremely challenging for our industry (as well as our government partners), and will take significant investment and focus. In addition, some requirements may make achieving *ESC* requirements more difficult. **As such, we strongly advise that other costly additions and amendments to the *BCBC* during this period be avoided.**
- UDI is pleased that the Province is considering expanding the application of the *ESC* to institutional buildings. It is critical that the Province and the broader public sector assist industry by leading through example. When LEED was first introduced in Metro Vancouver, it was the broader public sector that built the first LEED buildings. This allowed design and construction firms to become

familiar with new green building technologies and approaches. Information was also shared with the private sector through educational programs. **We strongly recommend that institutional buildings be constructed at the highest steps of the ESC as soon as possible, and that information from these projects be shared with the broader industry.**

- **It will also be important to ensure that approval/inspection times are not increased as a result of the implementation of the ESC by municipalities or through the BCBC.** Delays will add to the housing supply constraints and undermine efforts to address housing affordability issues in British Columbia.

Stronger Codes and Standards/New Code for Existing Buildings by 2024

As the focus of UDI is on new development, we will primarily defer to organizations such as the Building Owners and Managers Association of British Columbia, LandlordBC and the Condominium Homeowners Association of BC to provide commentary. However, we do have a few recommendations in line with the points made above.

- As noted, having substantial incentives and financial mechanisms will be critical. In addition, **we recommend that landlords be allowed to fully recover costs (minus what is offered through incentive programs) from mandated upgrades to their buildings through increased rents. There also has to be recognition that in some cases tenants may have to be displaced,** which needs to be accommodated in the regulatory framework.
- **The Government also needs to be careful regarding what triggers mandated upgrades.** We would be concerned if tenant improvements resulted in significant upgrades to buildings. As noted above under the Labelling Program, **efficiency upgrades should be required for a minimum of five years after a building is constructed,** although further consultation with the industry on this point is needed.
- As with the incentive programs noted above, where these upgrades occur is important. **UDI would be opposed to requiring upgrades to an older low density building that is likely to be redeveloped in only a few years** (e.g. the site is in an emerging or new Area Plan and/or is close to high-order transit).

Stronger Codes and Standards/Increased Energy Efficiency Standards for Equipment (2020-2035)

UDI is very supportive of improving the *Energy Efficiency Standards Regulation*. To meet the ESC targets our members will be using the latest and most efficient windows, appliances and systems. Having a standard that applies to new and replacement devices levels the playing field between new construction and existing buildings. If high energy efficiency devices become standardized and the market for them increases, it will also help drive down their costs.

Stronger Codes and Standards/Reducing GHG Emission Intensity

UDI is not opposed to reducing the GHG emissions of buildings beyond what will occur under the ESC. However, how it is done is critical. We would be very concerned if it resulted in further burdens, delays and costs being added to projects. As noted above, building net zero energy ready projects in less than 15 years will be a

challenge that requires focused attention. As such, we have several recommendations.

- **We ask that our members be allowed to connect to the BC Hydro or FortisBC electricity grids to achieve any future GHG reduction targets.** This would have a minimum impact on project costs. However, it needs to be understood that the operating costs of buildings would increase for tenants and homeowners because less expensive fuel options would not be allowed.
- **If future carbon targets involve further action (e.g. low carbon energy systems), we recommend that the carbon targets be incorporated into the ESC.** We would be concerned if the responsibility for the energy and carbon targets in new buildings is divided - with the Building and Safety Standards Branch (BSSB) managing the energy targets and another branch of the Government managing the carbon issue. The issues are linked. The *ESC* was originally developed to assist municipalities to achieve their community carbon targets. We would be concerned, for reasons described above, that District Energy Systems would be encouraged. In addition, training our industry to meet the *ESC* and then adding carbon targets will be difficult enough. We would be very concerned if the education programs are also uncoordinated. The Energy Step Code Council (and its predecessor committees, which have included industry, municipal, provincial, utility and stakeholder representatives), has been a positive force in the development and implementation of the *ESC*. Some have argued that the *BCBC* has always been silent with regard to the source of energy utilized in buildings. Since, 1973, the *BCBC* was also silent on energy efficiency as its focus was life and safety issues. This changed a twelve years ago as energy and water efficiency were added as objectives. From our members' perspective, if carbon targets are going to be imposed in new construction, we would rather have it done through the *ESC* and the *BCBC*.
- **The Province may also have to consider significantly amending the ESC beyond just adding carbon targets to it, if we are going to allow flexibility and limit the cost impacts of the carbon requirements.** For example, if there is a concern that the Province needs to limit the impact of new buildings on B.C.'s electricity grid, we could change the *ESC* metrics. There could be a carbon target and a target for how much energy new buildings draw from the BC Hydro or FortisBC grids. This would allow developers to more easily adopt emerging designs, technologies and approaches that work best for their sites and projects. Solar panels may work best for a site in the Okanagan, while the use of renewable natural gas may be better for projects in the Fraser Valley near farms. Thermal energy may be more appropriate for a site in the Lower Mainland, and a heavier envelope may be best for a site on Vancouver Island. The design teams for projects would be allowed to find the most cost-effective solutions for their sites; solutions that will change over time as building science improves. We note that this approach works with Low Carbon Buildings Innovation Fund (see below), and would assist our industry regarding the difficulties with DESSs.

Stronger Codes and Standards/New Measures for Electric Vehicle Charging (EVC) Stations

UDI is not opposed to EVC infrastructure being installed in new buildings. Our members are doing so voluntarily, and in several local governments being mandated to install EVC infrastructure in their projects. We are an intervener in the BC Utilities Commission Inquiry on EVC services (we have attached our final submission to the Commission as it outlines our position).

- **Whether it is through incentives or through financial mechanisms (see above), we would like to ensure that our members, stratas, utilities and/or third party EVC service companies can recover the costs of installing EVC infrastructure (including potential incremental increases in BC Hydro infrastructure costs), electricity, and administration (e.g. metering and billing) while allowing a reasonable return on investments made in providing EVC services.**
- **We would also encourage the Province to adopt the approach for EVC services that was used to develop the ESC.** Industry, local governments, the Province, utilities and other stakeholders worked together to develop a consistent approach to building energy efficiency and an implementation strategy that is workable across the Province, and is now being recommended to be included in the *BCBC*.

Low Carbon Buildings Innovation Fund (LCBIF)

UDI is very supportive of the Low Carbon Buildings Innovation Fund. We hope it will grow into a substantial incentive program that will assist our members in achieving net zero ready construction over the next 15 years as well as help B.C. enhance its prominent green building technology sector. We are also pleased that the program encourages approaches that are cost effective and can be replicated broadly. Prefabrication is included in the program, which is important given the skilled worker shortages faced by the industry. UDI would be pleased to work with the Province as this Fund is developed. We have several initial recommendations.

- **The scale of the program is important and needs to reflect the significant challenge facing the industry in achieving net zero ready construction by 2032.** We note that a similar program (although smaller in scope) in Brussels had a \$30 million budget, and helped transform the construction of buildings in that city.
- **The application process needs to be simple and clear for proponents.**
- **Training of Building Officials will also be critical to ensure that there are no delays in the approvals and inspections of ESC and low carbon buildings.**
- To help build our cleantech economy, **the Government could also review funding the testing of B.C. technologies/equipment that are used in ESC and low carbon buildings**, so they can be more quickly deployed and demonstrated in our Province.

Training and Certification

UDI is very supportive of Government efforts to improve training programs – especially for the *Energy Step Code*. We have been working with BC Housing, BSSB and the ESC Council on training programs for our members, so they are prepared for net zero ready construction.

- **As with our point regarding the LCBIIF, the investment in training programs needs to be significant given the challenge faced by our members.**
- **In particular, we need a focus on training and retraining of trades that impact building envelope performance (e.g. drywall and siding).**

CLEAN TRANSPORTATION INTENTIONS PAPER

UDI is supportive of many of the initiatives in the *Clean Transportation Intentions Paper* – especially proposals for supporting electric vehicles, increased transit investments and “*Integrating transportation and land use planning for interconnected infrastructure, transit and cycling.*”

Support for Cleaner Vehicles

UDI is not opposed to provincial efforts to increase the number of zero emission vehicles in British Columbia – especially electric cars. As noted above our members are incorporating EVC stations in their projects. The sooner electric cars are adopted by consumers, the sooner EVC services provided in new residential, commercial and retail buildings will be marketable to tenants and homebuyers.

Cleaner Transportation Systems

Increasing the number of electric cars on the road will reduce the number of the GHGs in the transportation sector. However, it is not enough. This is why UDI is very pleased that the Government is committed to “*Continuing investments in transit to help reduce emissions and congestion, including support for transit projects in the Lower Mainland ...*”. UDI has been very supportive of transit investments. In fact, we were in favour of a modest TransLink Development Cost Charge when it was initially proposed, and I serve as the elected Vice-Chair of the Better Transit and Transportation Coalition.

It is equally important that local government plans fully leverage previous, current and future transit investments. That is why we are pleased that the Province has publicly communicated its intent to integrate transportation and land use planning. In addition, to lower GHG emissions in transportation, Transit-Oriented Development (TOD) allows other provincial objectives to be met, including:

- Increased energy efficiency and reduced GHGs in buildings, as apartment units are smaller and have less exposure to the elements than single-family homes;
- Improved affordability, because units are smaller; the per/unit land costs are lower; and people in TOD areas do not have to own as many cars, which is a cost that ranges between \$8,600 and \$13,000 a year per vehicle;
- Improved public health due to air quality improvements and because people who live in pedestrian-oriented TOD areas walk more frequently;
- Reduced congestion on highways, which costs Metro Vancouver residents and businesses \$1.4 billion every year; and
- Fully leveraging the billions of dollars in taxpayer investments in transit infrastructure while increasing revenues for BC Transit and TransLink.

UDI has a couple of recommendations that we ask the Government to consider.

- **It will be important for the Province to work with Metro Vancouver politicians and the Federal Government to ensure that long-term funding issues for TransLink are resolved as soon as possible.**
- **The Province will have to be more active in establishing its expectations and requirements for land use planning and growth near high-order transit stations. This is warranted given the billions of dollars of taxpayer money from across B.C. and Canada being invested in a few municipalities. In the past, we have recommended Transit-Municipal Agreements (TMAs) to set the parameters for land-use planning around stations. The Government could require that TMAs (or similar agreements) be signed between the Province and a local government receiving high-order transit investments. These Agreements could include clear and enforceable expectations for growth requirements along the new lines (as well as already built transit lines within the municipality).**
- It is noted in the *Intentions Paper* that “*Because this work is so far-reaching, the province is taking time to gather more data, analyze results and engage with stakeholders before proposing specific actions.*” While UDI agrees more work is needed, **we would not want to see lengthy delays in transit investments and Provincial action on linking those investments with land use planning.**

A CLEAN GROWTH PROGRAM FOR INDUSTRY INTENTIONS PAPER

The focus of this paper is on British Columbia’s industrial sector, which indirectly impacts our membership. We will defer to the comments provided by organizations such as Business Council of British Columbia. We are pleased that the Government is developing incentive programs to ensure there is no “*carbon leakage*”. This is important to our members in terms of building materials. We would not want cement/concrete suppliers to leave B.C. to other jurisdictions or close because our regulations make them uncompetitive. This would leave our members with higher material costs without having any real impact on GHG reductions.

- **We have one recommendation that the Province monitor the impact of carbon reduction policies on industries to ensure that there is no carbon leakage, and to ensure that materials for construction do not increase as a result of GHG reduction policies.** This would only add to the costs of construction (which have already risen by 9.6% between Q1 2017 and Q1 2018) and exacerbate an already challenging housing affordability problem.

UDI looks forward to working with the Provincial Government, municipalities, utilities and stakeholders to reduce the carbon impact of our industry and the projects we build. We respectfully ask that your Ministry thoroughly consider our comments. Given the number of recommendations in the *Clean, Efficient Buildings Intentions Paper*, **we also recommend more building industry representation on the *Climate Solutions and Clean Growth Advisory Council*, and would be pleased to participate on it.** Certainly, more consultation is required with our industry before the measures proposed in the Intentions Papers move forward.

If you have any questions regarding UDI's submission, please do not hesitate to contact us.

Yours sincerely,



Anne McMullin
President & CEO

Copies to:

Minister of Finance and Deputy Premier, Hon. Carole James
Minister of Energy, Mines and Petroleum Resources, Hon. Michelle Mungall
Minister of Jobs, Trade and Technology, Hon. Bruce Ralston
Minister of Municipal Affairs and Housing, Hon. Selina Robinson
Minister of Transportation and Infrastructure, Hon. Claire Trevena