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November 2, 2017

Honourable Carole James
Minister of Finance and Deputy Premier
PO BOX 9048 STN PROV GOVT
Victoria, BC V8W 9E2

Re: Budget 2018

Dear Minister James,

On behalf of the members of the Urban Development Institute (UDI), we respectfully submit our comments and recommendations for consideration during the Government's preparation of Budget 2018.

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.

As you know, the Real Estate and Development Industry has a significant impact on employment, economic growth and government tax revenues. Across British Columbia, 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.

We have three key focus areas for the 2018/2019 Budget that we hope your Government will consider:

- Boosting Housing Supply;
- Transportation Investment and Transit Oriented Development; and
- Tax Compliance and Enforcement.

Our overriding focus will be on housing affordability, as this significant challenge has been the focus of much debate in the media, certainly between all parties in the May 2017 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 the primary 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. Governments continue to be almost solely focused on demand-side measures, evidenced by the discussion and [resolutions of the recent Union of BC Municipalities](#) provincial conference.

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.

The results of these measures 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 latest Ministry of Finance report, during the period of Apr 1-Sep 30, 2017 only 3.3% of the properties sold in Metro Vancouver, and 2.8% of all properties sold in British Columbia were purchased by foreign buyers.

Your Government may also be considering 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 a cumulative assessment be undertaken before further demand measures are implemented. As well, we recommend a renewed look at provincial/federal cooperation to ensure everyone pays their fair share of taxes, and that any potentially fraudulent activity is eliminated from the marketplace. (See below section Tax Compliance & Enforcement.)

We are also requesting the provincial government to take on a leadership role through the comprehensive housing plan 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 at the local level.

Currently, [independent analysis confirms](#) housing supply has not kept up with population growth and local demand going back many years. 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.

This is not just an issue for the future; we need supply 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 will require partnerships. The development community is eager and 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, ideally income-tested, 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 incentivize 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; and
- **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.

Further provisions to entice the construction of purpose-built rental units may also be required to offset potential unintended consequences that [Bill 16 - Tenancy Statutes Amendments Act 2017](#) might have on deterring the development of new purpose-built projects.

Also, if we are going to collectively achieve the Government's laudable 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, to address the need for more planners, design consultants, trades, building officials – especially with our [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 take on a leadership role through the comprehensive housing plan, 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. The market has proven that we can't 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 Oriented 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 almost 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 not 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 real 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. We also need it in Victoria and the South Island, and for connecting Kelowna and the communities of the Okanagan.

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

There is little point in investing in billions of dollars in transit infrastructure and service if only a few people in single family home-zoned areas 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 must 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, and further mitigate the impacts of the proposed TransLink DCC.

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

- Fully leveraging taxpayer 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 utilize 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.

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

Tax Compliance and Enforcement

Our third and last focus is the need for all of us to work together to build public confidence that everyone pays their fair share of real estate taxes, and that any potentially fraudulent activity is eliminated. Also as stated above, 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;*" Furthermore, we understand the Government may also be exploring options to create a mechanism to track and increase the transparency of presales and assignment transactions. We want to proactively work with the Government to support these efforts and ensure any new proposed measures are efficient and not unduly onerous.

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 early on in the process, so any unintended consequences can be mitigated. Our members are prepared to support government efforts and work collaboratively to build confidence in the real estate industry.

In conclusion, we ask you to consider UDI's comments and recommendations during your preparation of Budget 2018 and 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 you or your staff 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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