



February 19, 2021

Hon. Chrystia Freeland
Deputy Prime Minister and Minister of Finance
Department of Finance Canada
90 Elgin Street
Ottawa, Ontario K1A 0G5

Hon. Mona Fortier
Minister of Middle Class Prosperity and Associate Minister of Finance
Department of Finance Canada
90 Elgin Street
Ottawa, Ontario K1A 0G5

Dear Minister Freeland and Minister Fortier:

Re: Pre-Budget Consultation 2021

On behalf of the 950 members of the Urban Development Institute – Pacific Region (UDI), I would like to provide you with our recommendations for the *2021 Federal Budget*. As we have written previously, our members have concerns that the proposed Federal real estate tax for domestic housing could be applied to development lands. UDI is very supportive of the ongoing investments the Federal Government has made in transit as well as the critical investments in rental housing through the *National Housing Strategy's Rental Construction Financing Initiative (RCFI)*. Business tenants have also been supported through the *Canada Emergency Rent Subsidy (CERS)*. We ask that these investments continue with *Budget 2021*.

ABOUT UDI AND THE BUILDING SECTOR IN BRITISH COLUMBIA

The Urban Development Institute – Pacific Region (UDI) is the leading association of the development and building industry and its related professions in British Columbia. We represent thousands of individuals involved in all facets of land development and planning, including: builders, property managers, financial lenders, lawyers, engineers, planners, architects, appraisers, real estate professionals, local governments and government agencies. They build residential, rental, commercial, industrial, institutional and resort projects across British Columbia.

Our sector will be critical in overcoming the economic impacts of COVID-19, as the housing industry is one of the few sectors that has remained resilient and productive during the pandemic. In British Columbia, the building and development industry has long been a key component of the economy – annually:

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

NEW FEDERAL REAL ESTATE TAX

As part of the 2019 [Liberal Election Platform](#), the Government promised the following: *“To limit the housing speculation that can drive up home prices, we will also put in place a consistent national tax on vacant residential properties owned by non-Canadians who don’t live in Canada.”* This was followed up in the [Fall 2020 Economic Statement](#) with an announcement that *“The government will take steps over the coming year to implement a national, tax-based measure targeting the unproductive use of domestic housing that is owned by non-resident, non-Canadians, which removes these assets from the domestic housing supply.”*

We are very concerned about the potential of the proposed Federal tax on real estate being applied to land undergoing development and unsold inventory. We do not believe that it is the intention of the Federal Government to impose the tax on new projects because building new housing is a “productive use” of properties and desperately needed to supply new homes to Canadians. However, similar taxes, such as the Property Transfer Tax, the Luxury Property Transfer Tax, the Foreign Buyers Tax, the Additional School Tax and the Empty Home Tax imposed by the Province of British Columbia and the City of Vancouver have inadvertently been applied to our members’ projects. This has unnecessarily added substantial costs to new homes, including purpose-built rental (PBR) projects - and this is on top of the GST - which also applies to new rental homes.

UDI recommends that the new Federal Tax on real estate not impact any buildings or land that is undergoing development by foreign and domestic builders for new housing and job spaces. This includes site assemblies; projects going through the lengthy municipal/provincial/Federal development review processes; construction; and the selling of unsold inventory. The Provincial Government, to its credit, has developed these types of specific exemptions for its Speculation and Vacancy Tax.

TRANSIT INVESTMENT

UDI has been pleased with the Federal Government’s continued funding of transit expansion in Vancouver and across the country as well as the funding to support transit systems during the COVID-19 pandemic. **We ask that these critical investments continue with the upcoming Federal budget.**

This funding is especially needed now because of the impacts of COVID-19 on the revenues of transit agencies. The Federal Government's recent announcement to provide \$5.9 billion towards “shovel-ready” projects, and \$3 billion for permanent transit fund starting in 2026 is a great step forward. The money will help support critical new transit projects in Metro Vancouver as well as other urban centres.

These investments will help achieve the Government’s goals to reduce greenhouse gas (GHG) emissions and improve housing affordability. To fully achieve these benefits, however, senior governments need to provide more than just funding for transit. They also need to ensure that appropriate municipal zoning and plans are in place, so that enough people can live and work near transit stations to fully leverage the billions of taxpayers' dollars being invested in these projects.

UDI has recommended that before funding is released for transit projects, **senior governments, transit agencies and local governments should sign transit supportive agreements that include robust requirements for new housing and job spaces near transit stations.** These agreements should also be binding on future municipal councils.

RENTAL HOUSING

UDI greatly appreciates the *National Housing Strategy's Rental Construction Financing Initiative*, which linked to incentives from other levels of government is resulting in a resurgence in new purpose-built rental projects. The program has helped offset the negative impact of the GST and the removal of tax incentives, which undermined investment in PBR projects over the last several decades.

The *RCFI* will be further enhanced with the new commitment of \$12 billion in loan support that was announced in the *Fall Economic Statement 2020*. This is an important investment by the Federal Government, as it will allow builders to provide much-needed new rental homes in our growing urban areas. However, with the breadth of requirements in this program, our members have seen the competition for funding become more intense. Applications are also increasing in complexity to meet these requirements.

It would provide more certainty for builders as they seek municipal approvals for projects, if RCFI funding commitments could be made earlier. We would like to see the government take this step to support the long-term provision of more rental homes in our communities. There is also a need to better co-ordinate the program with incentives offered by provincial and local governments for PBR projects.

COMMERCIAL TENANT SUPPORTS

UDI has been pleased with the support the Federal Government has provided businesses during the COVID-19 pandemic to keep Canadians employed. Our members appreciated the *Canada Emergency Rent Subsidy (CERS)*, for example, which has provided assistance to commercial builders and their tenants. **We ask that these types of supports for commercial tenants remain in place until Canadians are fully vaccinated and the economy has recovered.**

Thank you for the opportunity to provide comments as part of the Pre-Budget Consultation process. If you have any questions regarding this submission, please do not hesitate to contact me. UDI would be pleased to discuss our recommendations further with Federal officials.

Sincerely,



Anne McMullin
President & CEO