

Backgrounder

For immediate release

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UBCM Housing Strategy Recommendations

The Union of B.C. Municipalities (UBCM) has identified 32 recommendations to strengthen the housing system in British Columbia. The recommendations come as part of UBCM's housing report *A Home for Everyone; A Housing Strategy for British Columbians*. The strategy's recommendations are as follows:

1. A Rental Housing Strategy

1.1 Support for the provincial government's major housing construction commitment. UBCM should support the provincial government's commitment to build 114,000 units of affordable market rental, non-profit, co-op, supported social housing and owner-purchase housing through partnerships over 10 years.

1.2 Ensure delivery of 114,000 units is flexible enough to meet community needs. Any program to deliver the 114,000 units must be flexible enough to meet the diverse needs of B.C. communities. Matters such as the mix between subsidized and market units, the mix between retention and renovation of existing units and new units, the target group for the units (single workers, families, seniors) should fit the needs of communities.

1.3 Work towards retention and renewal of existing subsidized housing. The federal and provincial governments should provide for renewal of operating agreements with non-profit housing providers to ensure that existing non-profit housing is retained and properly maintained.

1.4 The Province and Federal Government should continue and expand programs that will encourage the retrofitting of existing housing stock to improve energy efficiency. Such initiatives can have many benefits including reduced operating costs for residents, and reduced greenhouse gas emissions. These initiatives may be particularly valuable for residents of northern BC where energy costs can be a major contributor to housing costs.

1.5 Work towards retention and renewal of existing privately owned purpose-built rentals. The most affordable rental housing is that which already exists. However, this needs to be maintained in order for it to not slide into inadequacy.

It is recommended that the federal and provincial governments create a renewed Residential Rehabilitation program and that the provincial government allows a slightly higher allowable rate of rent increase to landlords under rent controls to provide both the basis for continued maintenance and more substantial rehabilitation where required.

To balance this with the interest of renters, we recommend that these measures be combined with enhanced protection for tenants. This would be done through enabling local governments to refuse demovictions that result in evictions and to require replacement rental housing before allowing the demolition to proceed. Also, enabling municipalities to manage renovictions through clearer authority where they can require and enforce standards of maintenance bylaws and deny building permits where

renovations may result in evictions, without incurring liability, would all support affordable rental housing.

1.6 Support the construction of new privately financed purpose built rental housing. It is recommended that the province and federal government work towards creating a financial and regulatory context that supports the construction of new privately financed purpose Built Rental Housing.

Subsidized housing is too expensive to fully address the existing gap between rental housing demand and supply. Substantial private investment is needed. Most B.C. communities have not seen enough new, privately financed, purpose built rental housing constructed for many years. In many situations, this has resulted in reduced rental housing quality or outright shortages leading to very low vacancy rates. Rising prices have priced housing units out of the range of many British Columbians. The only short-term solution is more rental housing. However, developers have difficulty in making the business case for such housing competitive with that for new condominiums. Changing that should be a priority.

Possible specific actions that could be useful include:

- a tax credit for investment in new purpose built rental housing trusts; and,
- deferment of capital gains tax where an existing property is transferred to and retained in a purpose built rental-housing trust. It should be noted that this would not eliminate the tax, but simply defer it until the property is removed from the trust, as if the owner had continued to own the existing property.

1.7 Provide local governments with the legislative authority to create zoning for affordable rental housing. For several years, local governments have called on the provincial government for the ability to create zones for rental housing. The provincial government has rejected this proposal on the basis that it is too great an intrusion into private property rights. It has instead opted to provide authority for rental agreements to be negotiated between local governments and developers at the time of zoning. Over the 25 years this has been in place, it has been a useful provision. However, the scale of the affordability crisis makes it clear that more is needed.

Recently Ontario, Alberta and Manitoba have begun to provide local governments with the authority for inclusionary zoning which includes the ability to require that developments in specific zones have a minimum number of affordable rental units. This is a substantial policy change but the potential for this to remove challenging negotiations from the re-zoning process and the way in which this could facilitate rental development in transit priority areas in advance of major transit capital projects suggest that the time has come to seriously consider such a change.

1.8 Promote Wood-Frame Construction. By far the most economical way of constructing new rental housing is mid-density wood frame development. Wherever practical, government financed initiatives should utilize and showcase B.C wood products. This is especially important when it involves less traditional uses for wood, such as taller buildings.

1.9 Review the Residential Tenancy Act provisions relating to secondary rental. Secondary suites and second dwellings on what were previously single-family parcels have become a housing option for new renters and a means by which new owners help finance purchases. These are an increasingly important source of supply, and in many

communities, regulations have been altered over the past 20 years to provide clearer legal status to these dwellings.

This is largely an area where local government has current authority and discretion to act in ways that are consistent with community needs. However, it is important that property owners who have rentable accommodation are willing to put that onto the rental market as opposed to utilizing it for short-term rentals or leaving it vacant.

To make this form of affordable rental housing more viable for prospective landlords, the government should give particular attention to the needs of these arrangements and specifically create provisions for dealing with problem tenants, as it reviews the *Residential Tenancy Act*.

1.10 Funding rental housing. We do not recommend a specific funding source, but highlight that property transfer tax revenues are significant – over \$2 billion in 2016 – as a result of high housing prices and therefore the Province has a responsibility to re-invest a significant portion of this revenue to address the impact of higher housing prices on B.C. households.

1.11 Program design. Program design be built on a model in which local governments collaborate with non-profit providers to create local delivery strategies rather than working on a project-by-project basis, which will place local governments in the role of approving individual projects either before or after provincial financing is in place.

1.12 Community Integration and Income Mix. It is recommended that the program design ensures that projects are created for a mix of incomes and are appropriately integrated into existing neighbourhoods.

1.13 Non-Profit Sector Capacity. It is recommended that the provincial government work with non-profit housing providers and the federal government on the design of the co-investment fund promised in the National Housing strategy in order to create additional financing possibilities for non-profit housing providers.

1.14 Limited Equity Home Ownership. Increased prices mean that prospective homeowners need new pathways to homeownership. The development of the *Condominium Act* in the 1970's revolutionized the B.C. housing market dramatically increasing options for homeownership while substantially reducing the availability of rental housing.

Given that traditional homeownership is out the reach of many British Columbia families, it is time to explore the expansion of limited equity ownership models that allow for home purchase, but limit the value of resale.

It is recommended that the provincial government act to facilitate the increased development of limited equity homeownership forms such as housing co-ops and housing associations.

It is recommended that local governments document best practices for community housing associations such as the Whistler Housing Association so that this experience can be applied to the creation of employee housing in resource and smaller tourist oriented communities.

1.15 Provincial/Local Government Urban Development Agreements. In order to create affordable housing, there is often a need for associated infrastructure. For example, ensuring that affordable housing is located near transit lines is an important component of reducing household costs and increasing affordability. Not only does this benefit people and the environment, ensuring renter households reside near transit lines helps drive transit ridership.

In other communities a similar link exists between transportation, water or sewer infrastructure and future housing supply. Linking infrastructure to housing requires a clear process by which future zoning, together with appropriate density and inclusionary housing targets can be linked to infrastructure development.

In Metro Vancouver, the Mayors' Council on Regional Transportation has proposed a structure for such agreements. We believe this can support both the transportation strategy and the creation of affordable housing.

Similar approaches should be available to other communities to reach common goals with the Provincial Government.

1.16 Increasing property tax flexibility. Creating affordable rental housing is going require the use of an array of policy tools. It is recommended that the provincial government provide local governments with the authority to create property tax sub-classification for affordable rental property.

Development Approval Timelines and Costs:

1.17 We recommend that the provincial government work with local government and stakeholders to review the process for rezoning property. Such a review would be able to take an impartial and in-depth look at whether the existing process appropriately engages affected citizens.

1.18 We recommend that the Province consider examining Local Government Act changes to charge Development Cost Charges for additional growth related costs associated with higher density zoning. This would replace the uncertainty associated with re-zoning and a range of negotiated agreements with a clear, certain process that is regulated by the province while also providing local governments a legislated way to pay for the cost of growth.

2. A Demand Management Strategy

2.1 Taxation tools to address speculation. These tools should be adopted with the short-term goal of stabilizing prices, and the long-term goal of increasing the diversity of housing options to ensure that affordable options are available to British Columbians:

2.2 Taxation to address foreign Investment pressures on demand:

- Remove condominium presale exemptions from the existing foreign-buyers tax to ensure equity,
- Revisit the foreign buyers tax rate to ensure that it is sufficient to curb

- rebounding rates of demand and potentially expand the geographic scope of implementation to limit spill-over effects between regions, and,
- Require declaration of beneficial ownership for transactions that are currently not registered at the Land Title Office (e.g. bare land trust agreements), to close a major loophole in the current foreign-buyers tax.

2.3 Taxation targeting speculation more broadly (foreign and domestic):

- Review the existing property transfer tax, to:
 - make it more progressive – consider approximately maintaining current revenue levels from the tax while introducing a sliding scale of rates according to transaction cost,
 - dedicate revenues from the tax towards affordable housing, and
 - ensure regional equity in distribution of affordability funds – recognizing that residents of some areas will inevitably pay higher or lower tax rates on average.
- Update Federal capital gains exemption regulations for primary residences, to:
 - limit the number of times they can be used, and
 - set a maximum value on the limit.

It is recommended that these changes be applied going forward (non-retroactively) so as not to penalize beneficiaries of past transactions.

2.4 Consider penalizing rapid speculative resale. We recommend that the Province consider the application of a seller's tax that would penalize rapid speculative re-sale. Such a tax could decline to zero after a set period of time so as not to negatively impact long term residents selling their property. Alternately, consideration should be given to scaling the property transfer tax for the same purposes.

2.5 Improved data collection, data development and data sharing. These are necessary to support evidence-based policy and ensure accountability. It is recommended that the province and federal government work together to address these needs, including:

- Creation of a pre-sale registry
- Publication of aggregate data on pre-sales
- Investigation and follow-up on the findings of reports such as “Low Incomes and High House Prices in Metro Vancouver” to identify additional data needs and actions to address tax avoidance in real estate.
- Ensuring better co-ordination of agencies responsible for monitoring and regulating the relations between property transactions and capital flows, including CRA, FINTRAC, the banks, and the Real Estate Council of BC.

Short-term rentals:

2.6 Investigate options for regulating short-term rentals. The Province should investigate, in consultation with Local Governments, options for regulating short-term rentals with the goals of:

- enforceability,
- retaining local government choice, and

- providing local governments with more clarity, and regulatory power where needed, to address uncertainty regarding e.g. the applicability of business license approaches to companies like Airbnb, particularly where these platforms are based outside of the local government in question.

Options for consideration should include:

- *Adoption of platform accountability*- requiring that all hosts have a license or permit and only allow websites like Airbnb to list and advertise properties that have a permit number ('Platform accountability', approach favoured by Fairbnb).
- *Placing a cap on the number of days per year a property is rented as a short-term rental*- requiring that short-term rental platforms automatically delist property listings that host beyond a specified upper limit of rental nights (e.g. 60 as in Amsterdam).

2.7 Address tax fairness. We recommend that the Province investigate and implement policy to address the current tax fairness issue whereby residential properties currently used for commercial purposes as short-term rentals cannot be subject to property taxation that properly reflects the use of the property.

2.8 Good practices for short-term rentals. We recommend that the Province create a good-practices guide for local governments to raise awareness of existing approaches to regulation of short-term rentals.

3. A Comprehensive Homelessness Strategy

3.1 Reduce pathways into homelessness. Coordinated actions are needed to reduce pathways into homelessness, including specific actions related to caring for those dealing with mental health conditions, transition plans for children again out of government care, effective addiction treatment, and development of employment strategies either as part the proposed mental health and poverty reductions strategies or as additional stand-alone strategies.

3.2 Enhance transitions out of homelessness. Coordinated actions are needed to enhance transitions out of homelessness, including transitional employment training and effective addiction recovery. One specific area that could be considered is a focused employment program tied to new housing construction, built on the model of the *BladeRunners* program.

3.3 Consider an integrated case-management approach. When considering how best to approach these recommendations, the provincial government should consider an integrated case management approach that creates a single point of contact for individuals who are homeless or at risk of homelessness, in order to create and implement a client-centered homelessness prevention or recovery plan.

3.4 Recognize local needs. Any provincial housing investment initiative should include sufficient units of transitional and supportive housing to meet the specific needs of individual communities.

3.5 Ensure enforceability of agreements made between facility operators and local governments. Local governments have the difficult job of finding a balance between

community concerns and the need to provide for various forms of supportive housing and shelters. A key part of this is reaching agreement with facility operators with regard with how such housing will be operated. To be useful, these agreements must be enforceable.

When negotiated, it may not always be clear if the facility operator can meet the terms of the agreement within the confines of the *Residential Tenancy Act*. If commitments cannot subsequently be honored it becomes a basis for those opposed to such housing to argue that such commitments are meaningless.

For this reason, legislation should be clarified to provide a clear legal basis for the enforcement of agreements made between housing facility operators and local governments.

3.6 UBCM should consider creating a good-practices guide for managing homelessness. Like any kind of land use, housing the homeless or those at risk of homelessness requires local government zoning approval. This is often contentious and requires local government to balance community concerns with the need for such housing.

Local governments operate in a complex legal environment. In both Victoria and Abbotsford (*Abbotsford City vs. Shantz BCSC 2015; Victoria City vs. Adams BCSC 2008/BCCA 2009*) the court established that individuals had a Charter right under Section 7 (life, liberty and security of persons) to camp on public property and that local governments had a right to regulate but not prohibit such use of public property.

It is recommended that UBCM work with local governments with experience in managing homelessness to create a good-practices guide that documents effective, pro-active strategies for managing homelessness.

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