

Union of BC Municipalities Submission to the Expert Panel on Housing Supply & Affordability

June 24, 2020

Background

The Union of British Columbia Municipalities (UBCM) represents 100% of the local governments in BC, and has advocated for policy and programs that support its membership's needs since 1905. We are a policy-based organization, guided by member positions established through resolutions at our annual convention. UBCM membership consists of 161 Municipalities, 28 Regional Districts and 8 First Nations.

UBCM has been active in supporting members' interests on housing, including through the release of a special report on housing: *A Home for Everyone*¹ on February 1, 2018. This report structured recommendations around 4 key policy shifts: 1) A rental housing strategy, emphasizing right supply – not just housing supply for the sake of supply, but the supply of affordable housing; 2) a demand management strategy to address the role of both foreign and domestic speculation in driving housing prices; 3) a comprehensive homelessness strategy; and, 4) an all government approach towards housing affordability. UBCM positions on housing supply and affordability reflect both recommendations addressed in *A Home for Everyone*, and member endorsed resolutions.

¹ <http://www.ubcm.ca/assets/Whats~New/UBCM%20Housing%20Strategy.pdf>

What are some things that could be done by government or others to increase the housing supply in your community?

As detailed further below, we would suggest that this is not the most important question with regards to addressing affordability, because housing supply has been keeping pace with population growth, and available data point to the need for increased supply of *affordable housing* specifically, as well as the ongoing need to address speculative demand. We appreciate that the Province has acknowledged the importance of these issues and have been pleased to work with them on implementing their housing plan that emphasizes both demand management and the creation of 114,000 units of affordable housing².

Nonetheless, UBCM has participated in the Province's Development Approval Process Review (DAPR), to identify opportunities for all parties, including developers, local governments and the Province, to build greater efficiencies into development approval processes. DAPR recommendations that are broadly consistent with UBCM policy include:

- A comprehensive review of Development Cost Charges and Community Amenity Contributions.
- A review of public hearing processes, and consideration of alternative options for meaningful public input.

An additional measure that could be taken to strongly incentivize private investment in the supply of affordable rental housing stock would be to reduce GST payments on rental housing. The Federal Government has historically played a significant role in facilitating construction of rental housing through the tax system, and could do so again through such an approach. We note broad support in the real estate industry for this proposal, with the BC Real Estate Association, Canadian Mortgage Brokers Association – BC, Landlord BC, the Mortgage and Title Insurance Industry Association of Canada, the Real Estate Board of Greater Vancouver, and the Urban Development Institute recently calling for a full rebate or exemption of the application of GST on new rental housing³.

² Homes for B.C. https://www.bcbudget.gov.bc.ca/2018/homesbc/2018_homes_for_bc.pdf

³ <https://www.bcrea.bc.ca/wp-content/uploads/2019-10-02-BC-Real-Estate-Sector-Urges-Federal-Parties-to-Act-on-Affordability-Recommendations.pdf>

What are three key things that could be done to make housing more affordable in your region or community?

B.C. housing starts have been keeping pace with population growth⁴. Across BC, the average annual housing starts from 2016-2018 were more than 50% greater than the average for the preceding 5-year period. And in 2019, housing starts reached an all-time high of 43,879⁵. The fact that affordability remains a challenge for so many in this context points towards a need to address factors other than overall housing supply, as detailed here.

1) A Focus on the Right Supply

Efforts to promote supply for the sake of supply may see the approval of housing stock that is either being used for speculative investment (e.g. as short-term rentals, or held vacant) or unaffordable for those living and working in British Columbia. UBCM therefore supports a policy focus on *affordable* housing specifically. Examples include:

- Purpose-built rental housing- recognizing that homeownership is simply out of reach for many households across the province.
- Limited equity home ownership options- UBCM similarly supports the increased development of housing with alternate forms of tenure to add to the suite of affordable living options.
- Wood-frame construction- recognizing that mid-density wood-frame is the most economical way of constructing new rental housing, government financed initiatives should use and showcase B.C. wood products wherever practical.

UBCM also supports energy efficiency retrofit incentives that can help make existing housing stock more affordable.

2) An Ongoing Emphasis on Speculative Demand

Our members recognize that housing is not simply a commodity and that the historic failure to address speculative demand has been a major driving force in the affordability

⁴<https://www.kpu.ca/sites/default/files/The%20Housing%20Supply%20Myth%20Report%20John%20Rose.pdf>

⁵ https://www2.gov.bc.ca/assets/gov/data/statistics/economy/building-permits/econ_housing_starts_urban_communities.pdf

crisis⁶. Notably, demand management strategies implemented by the current Provincial Government have contributed towards slowing of home price increases⁷ and may continue to play an important role going forward. This point was effectively acknowledged in the Federal Liberal election platform in 2019, which promised a national tax on vacant residential properties owned by non-Canadians who don't live in Canada. The COVID-19 pandemic has also created a unique situation which may see a further pulse of international demand seeking housing in Canadian markets during a recovery period, due to Canada's strong reputation and political stability⁸.

To address this, UBCM would point towards the following approaches:

- Ongoing monitoring and reporting out on the Additional Property Transfer Tax for Foreign Entities & Taxable Trustees to ensure that it is achieving the desired ends and to enable the elimination of loopholes.
- Finding solutions to regulating short-term rentals with the goals of enforceability, retaining local government choice, and providing local governments with more clarity and regulatory power as needed. On this subject, UBCM is pleased to be engaging with the province through a joint advisory group. This topic remains particularly relevant as short-term rentals make investment in residential real estate more desirable, and also draw down already limited long-term rental stock in communities across the province.

3) Evidence Based Decision Making

An evidence-based approach to addressing affordability that emphasizes data development and coordination between orders of government will be central to any efforts to address affordability going forward. Without an adequate evidence base, there is no way of determining whether new supply is meeting the needs of those living and working in B.C. communities. Recent years have seen a number of steps in the right direction, but more work is needed to develop better data in key areas including: housing needs by demographic, impacts of speculative demand on housing price inflation, prevalence and influence of short-term rentals on affordability and now, the impacts of COVID-19 on the housing market⁹. One other specific data need that

⁶ e.g. resolutions 2015-B47, 2016-B136, 2017-A2 as detailed in <https://www.ubcm.ca/assets/Whats~New/UBCM%20Housing%20Strategy.pdf>

⁷ E.g. Bryan Yu, Deputy Chief Economist, Central 1, recently noted that the NDP government's previous measures helped bring a "temporary pause" in the rise of home prices, but that will end this coming year as home prices continue their recent upward trend <https://www.theglobeandmail.com/canada/british-columbia/article-bc-budget-forecasts-end-to-historic-boom-in-new-housing-construction/>

⁸ As noted by many in the real estate sector, e.g. <https://renx.ca/covid-19-mildly-impacting-real-estate-market-so-far/>

⁹ On this point, forecasts by the BMO point towards pandemic disruptions not triggering supply shortages, further pointing towards the need to address other factors to address affordability:

deserves increased attention at present relates to an issue that began to emerge early this year – reports that insurance companies are instituting large fee increases or denying coverage for many condominium owners, nonprofits and other building owners, leading to concerns that impacted buildings will not be able to obtain financing from banks. We note that this is potentially a very important issue impacting affordability, but at the time the pandemic was declared, data on the extent of this problem and underlying drivers was limited¹⁰.

Current data sources on the housing market are incomplete, fragmented among agencies and often rely on inadequate proxies or unrealistic assumptions¹¹. We commend the Federal Government for recently committing additional funds towards housing supply modelling and related data collection, as well as funds to improve data sharing and inform enforcement efforts on tax compliance and money laundering. However, we note that these funds are limited in amount and dedicated towards a relatively limited scope of data collection. We therefore recommend that further funds (Federal and Provincial) be dedicated towards developing a more holistic database of measures on housing supply and demand, addressing the above noted data needs. Finally, we also recommend better co-ordination of agencies responsible for monitoring and regulating the relations between property transactions and capital flows, including the CMHC, CRA, FINTRAC, the banks, the Real Estate Council of BC and the Ministry of Municipal Affairs and Housing. Local governments have and can continue to play a role in this respect as well, and UBCM has been pleased to work with the Province in delivering a funding program to support Housing Needs Reports¹².

Concluding Remarks

UBCM would like to thank the Expert Panel for the opportunity to provide local government perspectives on housing supply and affordability. We would be pleased to provide further input to the Panel should the opportunity arise.

<https://www.livabl.com/2020/05/pandemic-new-home-supply-shortage.html>, a point echoed by others in the real estate sector, e.g. <https://stevesaretsky.com/pent-up-supply-2/>

¹⁰ <https://vancouversun.com/news/local-news/blindsided-b-c-condo-residents-fearful-as-extent-of-insurance-crisis-remains-unclear>; The recent Financial Services Authority report has partly addressed this concern, but further data are still needed <https://theprovince.com/news/politics/b-c-s-condo-insurance-market-is-unhealthy-says-new-government-agency-report/wcm/4231d639-7f27-4a28-8c91-29b657427c9f>

¹¹ E.g. as noted in <https://www.placetocallhome.ca/-/media/sf/project/placetocallhome/pdfs/nhs-what-we-heard-report-en.pdf> - “Canadians and housing experts stressed that more and better housing data is needed to understand housing conditions and the housing needs of Canadians, and in order to develop informed, cost-effective, policies, programs and initiatives.”

¹² <https://www.ubcm.ca/EN/main/funding/lgps/housing-needs-report-program.html>