

PURPOSE BUILT RENTAL HOUSING

Affordable housing choices are required in British Columbia in order to be economically competitive by attracting and keeping skilled workers. Housing choices that work best are those that meet the needs of various income levels and are located within a reasonable distance from employers. However, with the withdrawal of Federal tax incentives decades ago, and the current pressures on market housing that have been well-documented in the media, housing choices are limited and largely unaffordable for today's employee. In order to ensure that the most basic of needs, a home, does not become a barrier for skilled labour in BC, there needs to be a variety of income-sensitive strategies to encourage innovation in the housing sector.

In a study done by Vancity¹, the cost of housing was determined to inhibit young workers from coming or staying in Metro Vancouver. Similar studies have pointed out that the rise of real estate values is greatly outpacing incomes and the gap is growing. Very few workers receive salary increases of 10-20% per year. In fact, Vancity's findings are that salary growth is slowing in the past five years averaging 1.3%. This, they claim, is why millennials are exiting the Lower Mainland labour market for greener pastures where higher incomes, employment and housing opportunities co-exist.

Renting is often seen as an affordable alternative to house a workforce, particularly temporary or contract employees, near employment. However, with a BC average rental vacancy rate of 1.2%², a decrease from 2014 and the Lower Mainland rate approaching 0, the pressure on existing rental stock is inhibiting in-migration of Canadian skilled labour, particularly where they are needed the most by BC employers.

From October 2014 to October 2015, only 1,900 purpose built rentals units were constructed throughout BC (CMHC). These are either new or renovated units returned to the market. Rents are rising in response to market pressure on average of 3.7% compared to 2.4% from the previous year. As mentioned, salaries have not.

Vancity's analysis of salaries that provide insufficient incomes for purchasing, may be enough for rental units – if available: mid-level managers, and senior administrators, computer programmers, and technicians, registered nurses and social workers, researchers, counselors, food industry workers, and contractors. The list of skilled workers unable to purchase in Metro Vancouver is long. This improves outside urban areas and into the farther regions of the province, but employment opportunities diminish.

Relying on developers to provide a variety of housing stock, including purpose-built rentals, to meet differing levels of income has failed.

¹ Vancity, May 2015. *Help wanted: salaries, affordability and the exodus of labour from Metro Vancouver*. Accessed March 2016, https://www.vancity.com/AboutVancity/News/MediaReleases/Archives/MediaReleases2015/JobsStudy_May20_2015/

² CMHC, Fall 2015. *Rental market report – British Columbia Highlights*. www.cmhc.ca/housingmarketinformation

The reality is that rental developers would build a significant supply of new secure purpose-built rental housing if the legislative environment were more conducive to doing so (e.g. more restrictive rent controls were put in place last September). The risk/reward imbalance that exists between building rentals versus condos needs to be addressed through measures such as rental pre-zoning, fast-tracking of rental projects, DCL reductions, elimination of CACs, parking relaxation, elimination of inclusionary zoning requirements, reduced property taxes, GST exemption on new builds.

GST: Developers must pay Goods and Services Tax (GST) on the development and operating costs of rental housing buildings, however, rent is GST exempt which places a burden on developers. To recover GST, landlords increase their rent. Because of the GST increasing operating and development costs, there is a substantial decrease of investment into the development of rental housing.

Property Assessments: Older rental homes are more affordable. CMHC data show apartments built between 1975 and 1989 are, on average, 40 per cent cheaper than those built since 2005. But longtime landlords say the current system threatens their ability to operate the older rental apartments that form a crucial part of the city's housing stock.³

B.C. Assessment Authority's practice of assessing properties also needs to be reviewed. That means a property's value, upon which its taxes are based, isn't assessed based on its actual use — whether a single-storey neighbourhood pub or a three-storey rental apartment building — but on the use that would return the highest value. Residential landlords can't pass on soaring property tax bills or other increases directly to their tenants — they're restricted by rent control measures.

The Center for Housing Policy⁴ collated a number of studies that demonstrate clearly the connection between the development of low- to mid-level income housing units and employment. They concluded that not only are employers able to attract the best and the brightest, there are spill-over benefits for the local economy.

The solution is for the Province of British Columbia to work with Federal and Local colleagues and find ways to create incentives and opportunities to save and increase the current rental stock, protect and expand co-op and co-housing units, and encourage innovation through reviewing relevant legislation that controls row housing and strata by-laws. British Columbia is doing well economically; however, to continue to do so, we need to ensure that a lack of housing for skilled labour does not become a barrier to future economic growth.

THE CHAMBER RECOMMENDS

That the Provincial Government:

³ <https://vancouversun.com/business/real-estate/dan-fumano-the-ticking-time-bomb-threatening-affordable-rental-homes>

⁴ 2011, Center for Housing Policy, *The role of Affordable Housing in Creating Jobs and Stimulating Local Economic Development: A Review of the Literature*.

1. Work with the Federal Government to ensure infrastructure support includes tax incentives for purpose built rental housing units, in particular larger family-friendly 2 and 3 bedroom units;
2. Review BC's Property Assessment Process;
3. Review the Strata Property Act, particularly Part 8, for opportunities of freeing up currently vacant condo properties as rental units;⁵
4. Work with local governments to provide incentives for innovative development designs that provide quality rental market housing units for mid-range income levels near centres of employment and transit hubs; and,
5. Work with the Federal Government to remove the GST on new rental housing.

Submitted by the Surrey Board of Trade.

⁵ http://www.bclaws.ca/Recon/document/ID/freeside/98043_00