



FEDERAL FINANCE COMMITTEE

PRE-BUDGET CONSULTATIONS

VICTORIA, BRITISH COLUMBIA

Submission by

Housing Affordability Partnership

3948 Quadra Street

Victoria, British Columbia V8X 1J6

Secretariat: Community Social Planning Council of Greater Victoria
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PRE BUDGET SUBMISSION

VICTORIA, BRITISH COLUMBIA

August 20, 2007

Housing Affordability Partnership
3948 Quadra Street
Victoria , British Columbia V8X 1J6

Presenter:

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Dear Honourable Members

Thank you for this opportunity to present our recommendations for modifications to the federal tax structure to the consultation committee. The recommendations in this submission are related to the challenges and needs within the housing sector. In the Capital region of BC, as within other regions of the country, the need for affordable housing is increasing: the cost of home ownership has increased exponentially while the average wage has been unable to keep pace. With the average single detached home costing \$552,363 in 2006 and the average cost forecast to be \$580,000 for 2007 (CMHC, Housing Market Outlook, Spring 2007), the average family is unable to afford to purchase and maintain a single family detached home. The increasing costs exacerbate the need for affordable and available market rental housing throughout the region. The modifications to the Federal Tax structure will help to stimulate the development of new market rental housing and encourage the maintenance and rehabilitation of existing rental stock.

ABOUT US

The Housing Affordability Partnership (HAP) is a unique public-private – not for profit group working together to address housing affordability concerns and raise awareness of emerging

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housing issues and opportunities in the Capital Region of British Columbia. The Capital Region is one of the most expensive and least affordable housing markets in Canada.

HAP is a volunteer working partnership with representation from industry related profit and non profit sectors. Representative organizations in the Partnership include BC Housing, Canada Mortgage and Housing Corporation, Canadian Home Builders Association, Capital Region Housing Corporation, City of Victoria, Coast Capital Savings, Community Council, Non Profit Housing Providers, Victoria Real Estate Board, Urban Development Institute and Vancity Savings.

The HAP Steering Committee members bring together their collective experience and resources to develop strategies, and projects that support and housing affordability. HAP's philosophy is to work in collaboration with other community based organizations address the issues of housing affordability, as well as to raise awareness of the complex factors that influence housing choice in the Capital Region.

BACKGROUND ON HOUSING SITUATION

The Capital Region of British Columbia faces many unique challenges as it consists of 13 separate municipalities that include the Capital of British Columbia: Colwood, Esquimalt, Highland, Langford, Metchosin, Oak Bay, Saanich, Central Saanich, North Saanich, Sidney, Sooke and Victoria and View Royal. Each municipality is struggling with the challenge of providing affordable housing in the region. The following recommendations are applicable to all municipalities in the region, though for illustration purposes, this brief will focus primarily on the situation in the City of Victoria.

The City of Victoria recently completed its Comprehensive Housing Strategy and the June 13, 2007 Committee of the Whole Report which contained a succinct encapsulation of the Housing market within the municipality. The salient points on the rental market are highlighted here.

Victoria Market Context

- a) With a population of only 78,057 people (Statistics Canada, 2007), the City of Victoria is the metropolitan core for the region, and its downtown is the economic hub for a regional population of approximately 350,000 people.
- b) Victoria residents have the fourth lowest per capita income of cities in Canada, with the average family income for 2004 being \$56,179 - well below the regional average of \$66,594. One in six households are in core housing need, i.e., they spend more than 30% of their gross household income on housing and, in 2001, an estimated 24.5% of the population lives below the poverty line (\$12,780 for a one-person household and \$15,594 for a two-person household - after tax).
- f) Renters are experiencing challenges in the Victoria housing market. The Canada Mortgage and Housing Corporation (CMHC) pegs the spring 2007 vacancy rate for the Victoria census metropolitan area at 0.8%, contrasted to 0.5% in October 2006. The availability rate, which reflects vacant units and units for which notice has been given sits at 2.2%. Rents in Victoria are increasing at the rate of 4% annually, every year. In April, 2007 average rents, as reported by CMHC's Rental Market Statistics June 2007, were \$579 for a bachelor unit; \$709 for a one-bedroom; \$892 for a two-bedroom and \$1115 for a three-bedroom unit. Victoria no longer has the distinction of having the lowest vacancy rate in the nation - that falls to Calgary and Edmonton. Nevertheless, Victoria renters are experiencing a tight rental market,

especially at the low end of the market, despite CMHC's spring results showing the availability rate closer to the industry comfort zone of 3%.

BUILDING RENTAL HOUSING

With a sustained low vacancy rate and a housing market already priced beyond the means of the average family and rising, the need for additional market rental housing is urgent. While the house and condo market is robust, very little, if any market rental housing is being built. With the changes to the tax policies in the early 1970's, the incentive for the private industry to build rental housing had been eliminated. The elimination of any tax bonuses for building rental properties, along with the increased building costs and land costs have made the financial costs prohibitive.

RECOMMENDATIONS

To address this scarcity of new market rental housing and to encourage the private sector to build the necessary market rental housing, the Victoria Bases Real Estate and Construction Organizations (RECO) April 5, 2006 report "Why Rental Housing is not being built", recommended the following changes to the federal tax policy;

- Allow the rollover of capital gains and recapture should an owner wish to sell a rental building and either buy or build a new one;
- Evaluate the period allowed for the amortization of capital costs for rental properties. Shorter amortization periods will stimulate new market rental housing developments ;
- Rebate 100% of GST, as is the case with other multi-unit buildings;
- The RECO report recommends that the same taxation rules apply to the construction and operation of rental apartment buildings as are applied to condo's hotels or warehouses.

In addition to the recommendations outlined in the RECO report, we have further recommendations that we believe will encourage the development of additional affordable housing:

- Increase significantly the tax credit benefits for corporations providing land and funding in the development of housing that is classed as affordable;
- Substantially increase the tax credit benefits for landlords wishing to sell their older rental properties to nonprofit housing societies and municipalities for affordable housing purposes;
- Allow landlords to apply capital cost deductions at a rate that will foster significant reinvestment in upgrading and maintaining the existing 3.1 million apartments in Canada;
- Apply a flat taxation rate of 15% on all revenues generated from secondary suites rather than the application of the standard taxation practices.

HOUSING PURCHASES

The cost of housing in the region has risen beyond the means of the average family's to afford without some additional assistance. Many families are having difficulty putting together the down payment and qualifying for the mortgage. With the cost of single family dwellings out of reach for most families combined with the low vacancy rate, housing has become one of the most urgent issues for families and businesses in the region. Families and Individuals with lower incomes are facing significant challenges when trying to find safe and affordable housing. Without suitable accommodation, the workers will be unable to live and work here, making it difficult for local businesses to hire and retain staff.

RECOMMENDATIONS

In an effort to assist potential homeowners to secure the down qualify for a mortgage, we recommend that the following modification be made to the Federal tax policies:

- Increase the amount of RRSP funds that people can use to help buy a home;
- Reduce or rebate the GST on the purchase of a primary dwelling.

The Housing Affordability Partnership is willing to discuss in more detail, any and all of the included recommendations.

The Housing Affordability Partnership would like to thank you for taking the time to review our submission and look forward to the opportunity to present our recommendations to the committee.

Sincerely

A handwritten signature in black ink, appearing to read "James Mitchell". The signature is fluid and cursive, with a large initial "J" and "M".

James Mitchell
Executive Director
Housing Affordability Partnership

SUMMARY OF RECOMMENDATIONS

HOUSING AFFORDABILITY PARTNERSHIP

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