Minister, FIN FIN:EX

From:	Anne McMullin <AMcMullin@udi.org>
Sent:	Monday, June 20, 2016 2:33 PM
To:	OfficeofthePremier, Office PREM:EX; Minister, FIN FIN:EX; Menzies, Brian FIN:EX; Mentzelopoulos, Athana FIN:EX
Cc:	Bhullar, Barinder PREM:EX
Subject:	FW: UDI LETTER ON HOUSING AFFORDABILITY SOLUTIONS IN METRO VANCOUVER
Attachments:	UDI Ltr Premier Clark June 20 2016 Housing Affordability Metro Vancouver.pdf
Categories:	Batch - Housing pre-July 25 FYI 351420

Good Afternoon Premier Clark

Attached please find a letter from the Urban Development Institute (UDI) regarding Housing Affordability Solutions in Metro Vancouver.

Regards

Anne

Anne McMullin
President and Chief Executive Officer
Urban Development Institute
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UDI

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June 20, 2016

The Honourable Christy Clark
Premier
Province of British Columbia
PO Box 9041, Stn Prov Govt
Victoria, BC V8W 9E1

Dear Premier Clark:

Housing Affordability Solutions in Metro Vancouver

As you are aware housing prices in the Lower Mainland have always been high relative to the rest of British Columbia and the nation. However, in recent history (or the last few months), housing affordability in the Region has become a serious issue, worthy of government intervention.

We applaud your Government for introducing in the last budget a full exemption from the Property Transfer Tax (PTT) for purchases of newly built homes up to $750,000 (when units are the buyer's principal residence). This measure will spur the building of moderately priced housing units. Provincial ministries are also discussing with the Urban Development Institute (UDI) and other stakeholders aboutadditional measures that could be employed to resolve the issue.

We agree with the assessment in last Provincial Budget that "*Any long-term mitigation of housing prices and housing affordability in the Lower Mainland must address adequate supply of affordable new construction, particularly multi-family housing*."

UDI strongly believes that the B.C. Government has a role to play in ensuring municipalities provide adequate zoning capacity for new housing. For too long, municipalities have limited the supply of housing through zoning and unreasonably long approval processes. In fact, many municipalities are not living up to their own Regional Growth Strategy targets. All of this is at odds with the Provincial Government's stated goal of increasing housing supply - especially multi-family housing - particularly near transit lines. With tens of thousands of people moving here every year, we will not be able to begin to address affordability without increasing the number of homes we build.

To increase this supply, the Province is going to have to be more directly involved in directing land use planning goals. Specifically, we suggest the Government:

1) Require municipalities to loosen planning rules to speed up their development review processes;
2) Mandate higher densities and pre-zoning areas across communities – but particularly in town centres and near transit stations; and
3) Tie transit funding to municipalities meeting higher density objectives.

Some are suggesting that senior governments introduce demand side measures such as taxes on non-Canadians, luxury homes, speculation and vacant units to improve affordability. We doubt the efficacy and impact of such measures on improving affordability – especially in isolation of any supply-side solutions being introduced.

Taxes will not improve affordability if the number of housing units remains constrained. In fact, increasing them may severely undermine the value of people's homes – perhaps even destabilizing our industry, which represents 25% of British Columbia's economy.

If the Province does proceed with taxes, it is imperative that they be implemented in conjunction with provincial mandates on municipalities to increase housing supply (see above). We also ask that the industry be consulted to avoid and mitigate any unintended consequences. Any tax that would be introduced, should be phased in over time, so the market can absorb the impact. It would also be important that all the revenues from any tax be directed to affordable housing initiatives (e.g. low-income housing and new/expanded homebuyer grant programs).

One demand side measure that could be explored is improving the enforcement of our current federal income tax regime. Concerns have been raised that those who purchase the rights to buy a housing unit and then reassign those rights for a profit are not paying the income taxes on those profits. The Canada Revenue Agency (CRA) should consider stepping up their enforcement to ensure that these taxes are being collected. We would also support measures that would require developers to inform the CRA when the person who purchased a presale unit is not the person who closed on the sale of that unit.

UDI agrees that government action is needed to resolve the housing affordability problems in the Lower Mainland, and we are very prepared to work with governments and all stakeholders to resolve this complex issue.

Yours sincerely,

Anne McMullin
President and CEO

S:\Public\Affordable Housing\UDI Ltr Premier Clark June 20 2016 Housing Affordability Metro Vancouver.Doc

Minister, FIN FIN:EX

From: Anne McMullin <AMcMullin@udi.org>
Sent: Wednesday, July 27, 2016 5:07 PM
To: Minister, FIN FIN:EX
Cc: Menzies, Brian FIN:EX; Mentzelopoulos, Athana FIN:EX
Subject: UDI Letter to Minister de Jong re REDMA amendments to protect pre sale contract under Bill 28
Attachments: UDI Letter to Minister de Jong[3].pdf

Categories: Necessary Action

Dear Minister,
Please see our enclosed letter regarding grandfathering under Bill 28, and the need for REDMA amendments to ensure that pre-sales contracts will create unnecessary nuisance cases in the courts. We look forward to speaking with you further on this issue.
Best regards,
Anne McMullin
President and Chief Executive Officer
Urban Development Institute
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July 27, 2016

The Honourable Michael de Jong
Minister of Finance and Government House Leader
PO Box 9048
Victoria, BC V8W 9E2

Dear Minister de Jong,

Re: Bill 28, Miscellaneous Statutes (Housing Priority Initiatives) Amendment Act, 2016

We are again writing to you regarding our grave concerns about the Government's apparent refusal to grandfather pre-sales under the new Bill 28.

As we have explained to you in our letters and emails, we believe not grandfathering pre-sales is wrong on so many fronts.

If the Province is unprepared to allow grandfathering of pre-sale contracts that are already in place, some for several years, we fear there may be a potential legal issue that needs to be addressed through amendments to the *Real Estate Development Marketing Act (REDMA).*

To manage the expected fall out from many buyers we are writing you to ask that if you are not considering an exemption you MUST ensure that any legislation drafted for this new tax ensures that buyers will not be able to use *REDMA* in the courts to terminate their pre-sale agreements.

Within *REDMA,* Policy Statement 1 requires that a disclosure statement must "disclose plainly all material facts" and that the developer must not leave out or misrepresent information that would affect or could reasonably be expected to affect the value, price or use of the home or the development.

REDMA defines a "material fact" as follows:

> ***"material fact"** means, in relation to a development unit or development property, any of the following:*
>
> *(a) a fact, or a proposal to do something, that affects, or could reasonably be expected to affect, the **value**, price, or use of the development unit or development property; ....(emphasis added, and the other parts of the definition don't apply to this discussion)*

To avoid potential litigation regarding whether the new tax affects value, we request that the government add a provision to the language of the new bill or subsequent regulation clarifying that the new tax cannot be used by home buyers, whether foreign or resident, to avoid completion of contracts already entered into.

If you have any questions regarding this request, please do not hesitate to contact me.

Yours sincerely,

Anne McMullin
President and CEO

Minister, FIN FIN:EX

From:	Anne McMullin <AMcMullin@udi.org>
Sent:	Tuesday, August 2, 2016 4:17 PM
To:	Minister, FIN FIN:EX
Subject:	UDI LETTER OF INVITATION: September 16
Attachments:	UDI_Letter Minster de Jong Invitation.doc
Follow Up Flag:	Follow up
Flag Status:	Completed
Categories:	Meeting/Invite

Good Afternoon Minister de Jong

I am writing on behalf of UDI to invite you to be the keynote speaker at our September luncheon scheduled for September 16, 2016. I attached a letter of invitation giving you the details and would be delighted if your schedule permits you to join us.

Should you have any questions please do not hesitate to contact me.

Anne

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President and Chief Executive Officer
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August 2, 2016

The Honorable Michael de Jong
Minister of Finance and Government House Leader
PO Box 9048
Victoria, BC V8W 9E2

Dear Minster de Jong,

The Urban Development Institute (UDI) would like to formally invite you to join us to be the keynote speaker at our September Luncheon on **Friday, September 16, 2016** at the Hyatt Regency Hotel in downtown Vancouver.

As you know, UDI is a non-profit, non-partisan association of the development industry, with a mandate to promote wise and efficient land use, good planning and progressive development practices. Currently we have more than 650 corporate members. We are committed to fostering effective communication between our industry, government and the public, as well as improving housing affordability and job opportunities for all British Columbians. UDI serves as the public voice of the real estate development industry.

There is a lot of interest from our members about the recently passed *Bill 28, Miscellaneous Statutes (Housing Priority Initiatives) Amendment Act, 2016.* There have been some questions regarding the implementation of the Act and the Housing Priority Initiatives Fund – particularly the potential for partnerships with developers to build affordable housing. This Luncheon would provide a good opportunity for you to provide details and clarity about these recent initiatives.

We anticipate over 400 guests to attend your keynote address. The Luncheon starts at 12:00PM, with your address beginning at approximately 12:45PM and lasting up to 30 minutes. The entire event will be over by 1:30 pm. If September 16th is not available, we would be very willing to change the date to accommodate your schedule.

I look forward to hearing from you.

Sincerely,

Anne McMullin
President and CEO

Page 009 to/à Page 010

Withheld pursuant to/removed as

s.14;s.13

Stonnell, Jennifer FIN:EX

Subject:	Government Regulation Document Update Discussion
Location:	Conference Call. See below for dial-in information
Start:	Fri 2016-04-15 12:00 PM
End:	Fri 2016-04-15 12:30 PM
Recurrence:	(none)

Telephone number: s.17

Participant Code (Everyone with the exception of Anne): s.17

Moderator Code (Anne only): s.17

Stonnell, Jennifer FIN:EX

Subject:	FW: `Government Document discussion. Conference Call
Location:	See below for details
Start:	Wed 2016-04-06 1:30 PM
End:	Wed 2016-04-06 2:30 PM
Recurrence:	(none)

-----Original Appointment-----
From: Anne McMullin [mailto:AMcMullin@udi.org]
Sent: Tuesday, April 5, 2016 4:55 PM
To: Anne McMullin; Joscelyn Baker (jbaker@polyhomes.com); Vandall, Jonathan FIN:EX; Mark Lewis (mlewis@blg.com ; Callahan-Maureen, Cynthia FIN:EX; Sinkwich, Jill D FIN:EX
Subject: 'Government Document discussion. Conference Call
When: Wednesday, April 6, 2016 1:30 PM-2:30 PM (UTC-08:00) Pacific Time (US & Canada).
Where: See below for details

Dial-in telephone number: s.17

Participant Code: Joscelyn, Mark & Jonathan - s.17

Moderator Code: Anne only – s.17

Stonnell, Jennifer FIN:EX

Subject:	Conference-call: Heather Wood/Anne McMullin re: Assignments (additional attendees listed below)
Location:	Dial-in: s.17 / Participant ID: s.17 / Moderator: Heather Wood
Start:	Tue 2016-04-05 3:00 PM
End:	Tue 2016-04-05 3:30 PM
Recurrence:	(none)

Finance:
Heather Wood
Cynthia Callahan-Maureen

UDI:
Anne McMullin
Jeff Fisher

Stonnell, Jennifer FIN:EX

From: Jeff Fisher <jfisher@udi.org>
Sent: Tuesday, February 23, 2016 9:26 AM
To: Cole, Elizabeth FIN:EX
Cc: Anne McMullin
Subject: Elizabeth, here are various reports on municipal charges. If you have any questions, please do not hesitate to give me a call.
Attachments: Where Housing Costs Come From Report .pdf

SFU/GVHBA/UDI Getting to Groundbreaking: http://www.gvhba.org/events/gettingtogroundbreaking/.
http://assets-production-webvanta-com.s3-us-west-2.amazonaws.com/000000/27/01/original/G2G/G2G_Report2014v7.pdf.pdf
http://assets-production-webvanta-com.s3-us-west-2.amazonaws.com/000000/27/01/original/G2G/G2G_FindingsSummary2014v6.pdf.PDF

Fraser Institute: https://www.fraserinstitute.org/sites/default/files/residential-land-use-regulation-in-BCs-lower-mainland-rev.pdf.
https://www.fraserinstitute.org/sites/default/files/residential-land-use-regulation-in-BCs-lower-mainland-exec-summary-drupal.pdf
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https://www.fraserinstitute.org/file/residential-land-use-regulationin-in-bc-infographicjpg
https://www.fraserinstitute.org/studies/municipal-policy

NAIOP: https://www.naiopvcr.com/media/18435/NAIOP_COBS_2014.pdf
http://www.city.langley.bc.ca/sites/default/files/uploads/Business/NAIOP_Industrial_Survey.pdf

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Urban Development Institute
Pacific Region

Where Housing Costs Come From:
The Impact of Government Charges and Regulations on Housing Prices in Metro Vancouver (DRAFT)

November 2011

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Executive Summary

The Urban Development Institute (UDI) has identified housing affordability as a priority issue in British Columbia, specifically in Metro Vancouver (the focus of this report, due to its affordability challenges compared to other regions in the Province). Housing prices continue to rise due to a range of factors, including the increasing costs of development. Various taxes, lengthy government review processes, onerous requirements and high land costs represent a significant proportion of new and increasing housing costs.

The purpose of this report is to identify the government fees and requirements (municipal, regional, provincial and federal) on new residential development in British Columbia and how they impact housing affordability. It is important to understand how these fees and requirements impact housing costs and to identify what governments (municipal, provincial and federal) can do to reduce the costs associated with building new housing.

The key findings of this report suggest:

- **The high price of land in Metro Vancouver (particularly in the City of Vancouver) is the biggest challenge to building affordable housing in the region.**
    - High land costs in Vancouver are due to a range of reasons, particularly natural constraints and strict land use regulations that rations the supply of land relative to demand.
    - Vancouver has the highest land costs of any City in Canada (almost twice as high as Toronto).
    - According to the *Annual Demographia International Housing Affordability Survey* (2011), Vancouver has the most restrictive land use regulations in North America (and as a result, has a "severe" affordability problem).

- **There are very high government fees and taxes (municipal, provincial and federal) on the price per unit of a new home in Metro Vancouver.**
    - Fees and taxes (municipal, provincial and federal combined) typically range from $50,000 to $80,000 on the price per unit of a new home in Metro Vancouver, depending on dwelling type and municipality, with the highest occurring in the City of Vancouver (due to the sales tax on Vancouver's steep housing prices).

- **Municipal fees and charges in Metro Vancouver have increased substantially over the past 10 years.**
    - DCCs, alone, have increased by over 50% in many jurisdictions since 2001. In a number of municipalities, building permits, development application/processing and engineering fees have also increased by over 50% since 2001.

- **Many new homebuyers in Metro Vancouver have experienced at least a 150% increase in fees, charges and taxes, as compared to what they paid 10 years ago.**
  - Increases in real estate prices have influenced how much senior levels of government collect in PTT, GST and PST (currently in the form of the HST).
  - These increases in fees and charges are much greater than the increase in inflation (22%) (Consumer Price Index) and the increase in Metro Vancouver's median household income levels (25%) over the past 10 years.[1]
  - Residents in British Columbia, particularly Metro Vancouver, are thus increasingly paying a greater share of their income towards housing costs.

- **Onerous government regulations can add significant costs to building homes.**
  - Over the past two decades, a range of new regulations have severely impacted construction costs and as a result, have undermined housing affordability.
  - In 10 years, construction costs in Metro Vancouver have escalated by over 40%, depending on type and location of residential development. Construction costs in Vancouver are almost 20% higher than in Toronto.[2]

- **Delays and lengthy re-zoning process**
  - In Metro Vancouver, an average size residential project takes approximately 10 to 16 months to re-zone (assuming they are in line with the OCP) and to obtain a development/building permit.
  - Delays add significantly to costs that are ultimately borne by the homebuyer. Daily holding costs can be as low as $1,500 for a small townhouse and over $30,000 for a large, complex project.

Based on our analysis and conversations with the industry and government officials, UDI has made the following key recommendations:

- Municipalities should increase the supply of land that is available for medium and higher density development;
- The Province and local governments should fully review the implications of restrictive land supply policies on housing affordability before they are imposed;
- All levels of government (municipal, provincial and federal) should reduce the amount of money they collect in fees and taxes on new housing;
- Municipalities should re-examine their re-zoning, density bonusing and CAC policies;
- Governments should ensure that onerous building and site requirements are reduced; and
- Municipalities should strive to expedite development application times.

1 *Consumer Price Indexes*, Statistics Canada, 2010
2 *Construction Price Indexes*, Statistics Canada, 2010

Introduction

Homebuyers in British Columbia, particularly in Metro Vancouver, face considerable affordability challenges. The high cost of land, coupled with rising construction costs, is further encouraging the Province's position as the most expensive place to live and work in Canada.

According to the *Demographia International Housing Affordability Survey (2011)*, Vancouver is ranked as "severely unaffordable" and the third least affordable market in the world of all cities that were surveyed. There are a range of factors that contribute to Metro Vancouver's affordability challenges: severe land use constraints; high land costs; high labour and construction costs; escalating government fees, charges and regulations; and lengthy review processes.

What is Market Housing Affordability?

Market housing affordability refers to the "financial ability of consumers to secure accommodation within their means". Canada Mortgage and Housing Corporation considers housing to be affordable if no more than 30 per cent of household income is used toward housing costs. Indeed, mortgage underwriters restrict a borrower's carrying cost to a maximum of 32 per cent of gross income. [3]

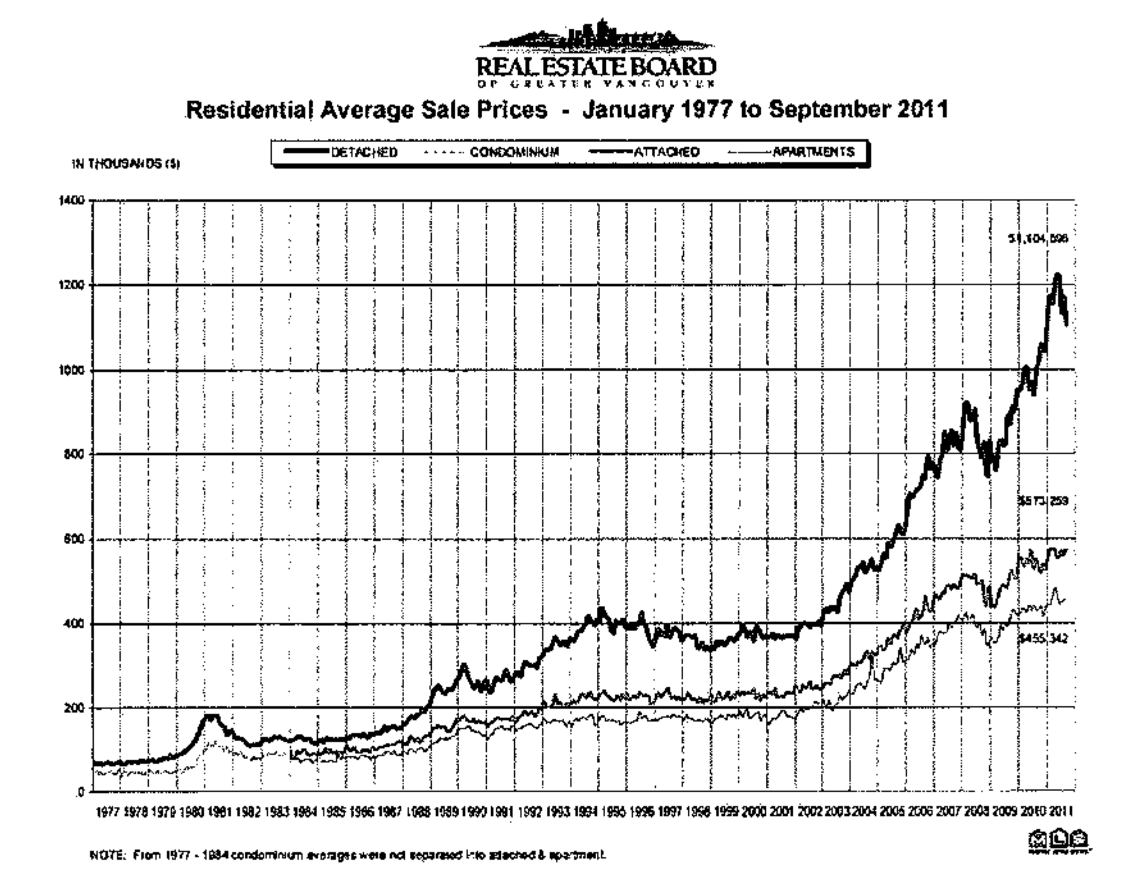
Affordability Challenges in British Columbia

According to the Royal Bank of Canada's housing affordability analysis, BC has the highest housing costs in Canada. For example, the ownership costs of a standard two-story house are 73 per cent of household income and 36 per cent of household income for a 900 sq. ft. condominium. This measure is based on a 25 per cent down payment, which means that housing costs are even more burdensome to first-time buyers, who usually put down less than 10 per cent towards a down payment on a home purchase.[4]

The price of housing in Greater Vancouver has increased at an accelerated rate, as illustrated in the graph below.

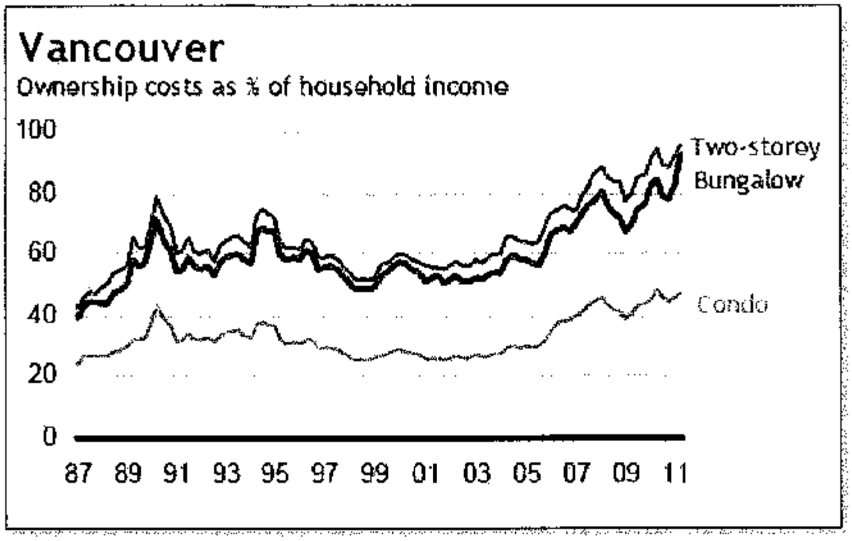
[3] *The Action Plan to Address Market Affordability in BC*, Canadian Home Builders Association, 2011
[4] *Housing Trends and Affordability*, Royal Bank of Canada, 2011

Figure 1.0



Source: Real Estate Board of Greater Vancouver, 2011

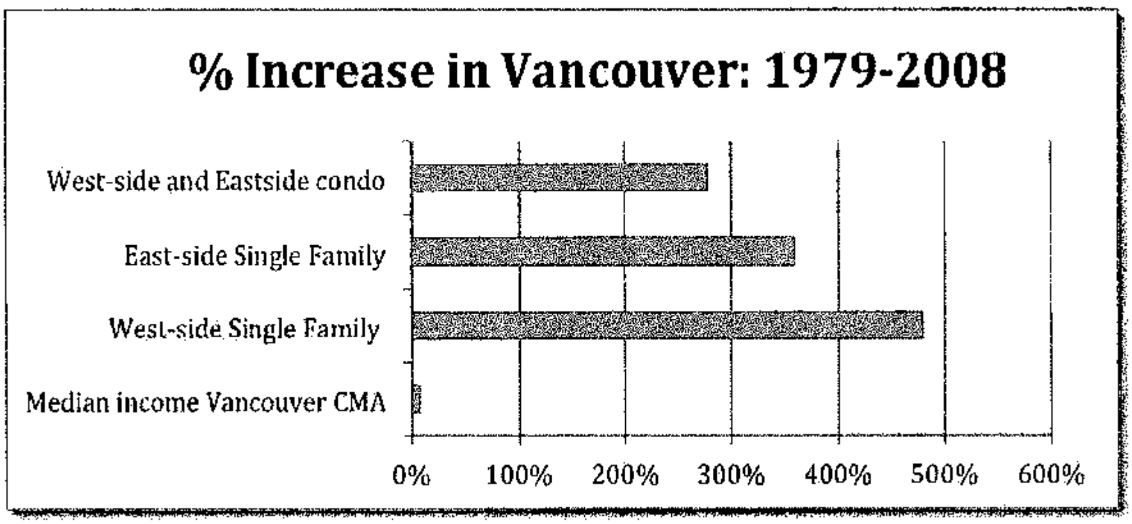
Figure 2.0



Metro Vancouver's residents face relatively low income levels (compared to other metropolitan areas in North America), yet extraordinarily high housing costs. Income levels in the Vancouver Metropolitan Area have not kept pace with rising housing prices over the past 20 years, particularly in the City of Vancouver.

Source: RBC, 2011

Figure 3.0



Source: City of Vancouver, 2009

The Affordability Gap

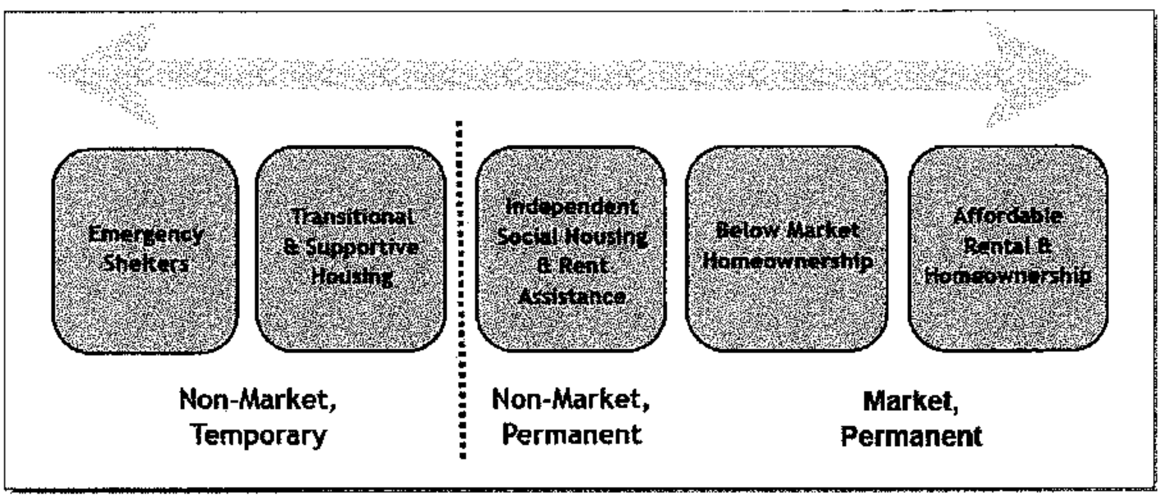
Given the median household income in Metro Vancouver at $62,763, the median listing price for a home should be around $315,000. For this price-point in Metro Vancouver, a purchaser would likely only be able to afford a studio or small one-bedroom apartment - inadequate for most families.[5] In 2010, the median price (MLS) of a new 3 bedroom townhouse in Metro Vancouver was $538,000. Based on the region's median household income and suggested listing price of $315,000, this amounts to an affordability gap of $222,500.

Why is Affordable Homeownership Important?

The housing continuum provides an important organizing framework for understanding housing needs and choices. The development industry plays a key role in meeting the needs of the affordable housing continuum, specifically the market, permanent rental/ownership aspect – which is the end goal for many residents in BC.

Figure 4.0

Housing Continuum, New Westminster



Source: City of New Westminster, 2009

Affordable rental and homeownership is a critical component of a healthy economy. High housing costs undermine competitiveness. When companies consider re-locating to Metro Vancouver, they often explain that high housing costs (for their employees) are an impediment to re-locating to the area.

[5] *Metro Vancouver Housing Data Book*, Metro Vancouver Housing Data Book & MLS 2010

When workers cannot afford to live in their desired neighbourhoods they may choose to re-locate to a more affordable city; thereby creating a shortage of much needed professionals and service workers, such as nurses, police officers, teachers and firefighters. Vancouver may also see an exodus of the creative class, who will take their innovative ideas and vibrant energy elsewhere because they cannot afford to live in Vancouver.

When residents in Vancouver have to pay a large percentage of their income towards housing, they are left with less money for purchasing other goods and services, the result of which can diminish job creation, as well as growth in commercial sectors, such as retailing.

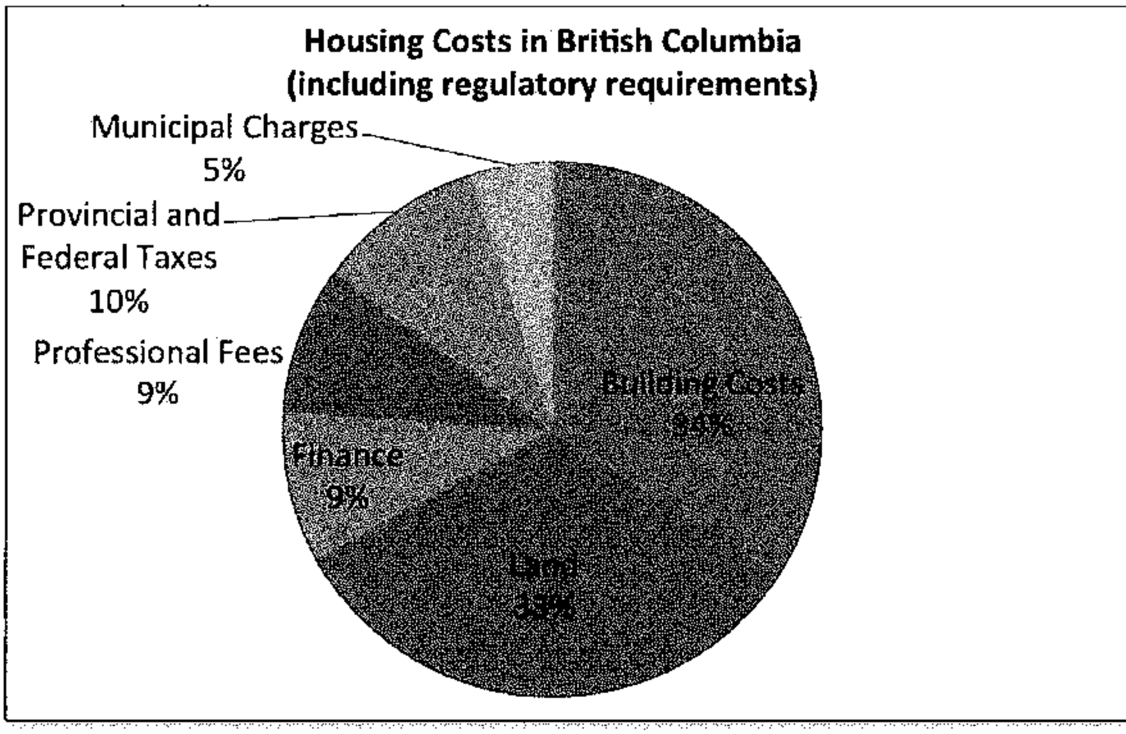
Furthermore, high housing costs along transit corridors and employment nodes push many people, especially families, further away from the jobs and services they rely on. This has severe environmental impacts, as a greater number of commuters are travelling greater distances by car. This in turn, adds to living expenses, as a greater portion of household income is spent on transportation-related costs.

For these reasons, the focus of this paper is on affordable homeownership, a critical component of the housing continuum that is of crucial importance to both the regional economy and environment. Unfortunately, municipal leaders throughout BC have inadequately addressed the affordability challenges that arise in the ownership sector. This report will shed more light on this issue, and propose some solutions to lowering the cost of housing throughout BC.

Cost Components of New Housing

Housing costs in British Columbia are generally made up of the following components: building costs, land, finance, professional fees, provincial/federal taxes and municipal charges (see chart below).

Figure 5.0



Source: Interviews with development companies, 2011

*Building and land costs are impacted by government policies. Land costs are high due to zoning restrictions, while building costs are high due to regulatory requirements.

In Metro Vancouver, building costs are typically higher than the rest of BC and Canada, while land costs are the highest of any metropolitan area in Canada.

Building costs are often reflected by the price of materials and labour. In addition, stringent building regulations and requirements can add to the cost of buildings. Building costs, professional fees and holding costs also increase as processing delays lengthen.

Finding an appropriate development site is likely the greatest challenge for a developer in Metro Vancouver. A lack of supply of land with appropriate zoning and servicing in place is a major impediment to developing housing. This generates high land costs. In addition, there are substantial charges and taxes at the federal, provincial and municipal level that must be paid.

Due to a range of reasons discussed throughout this report, developers take significant risks (particularly in jurisdictions with high fees and onerous requirements) when pursuing real estate projects. The projects may or may not succeed, and large profits are often required to cover the administrative overhead. It is industry standard that banks require developers to demonstrate anywhere from a 10 to 20% profit (15% is most typical), in order for the bank to approve loans. The demonstrated profit level often depends on developers' experience, market conditions and risk level.

UDI surveyed several representatives from residential development companies and asked what the most significant issues are that impacts housing costs in Metro Vancouver. According to our members, the key government-related costs come from:

Lack of buildable land supply/high land costs (33%);
Onerous building/site regulations and delays (30%);
Federal and Provincial Taxes (HST/PTT) (16%);
Municipal fees and charges (13%); and
NIMBY Influence (8%)

According to the developers surveyed, the municipality with the highest costs and requirements for projects is Vancouver. Developers also mentioned that the municipality with the most favourable development process is Burnaby, and the municipality with the lowest costs associated with the development process is Surrey.

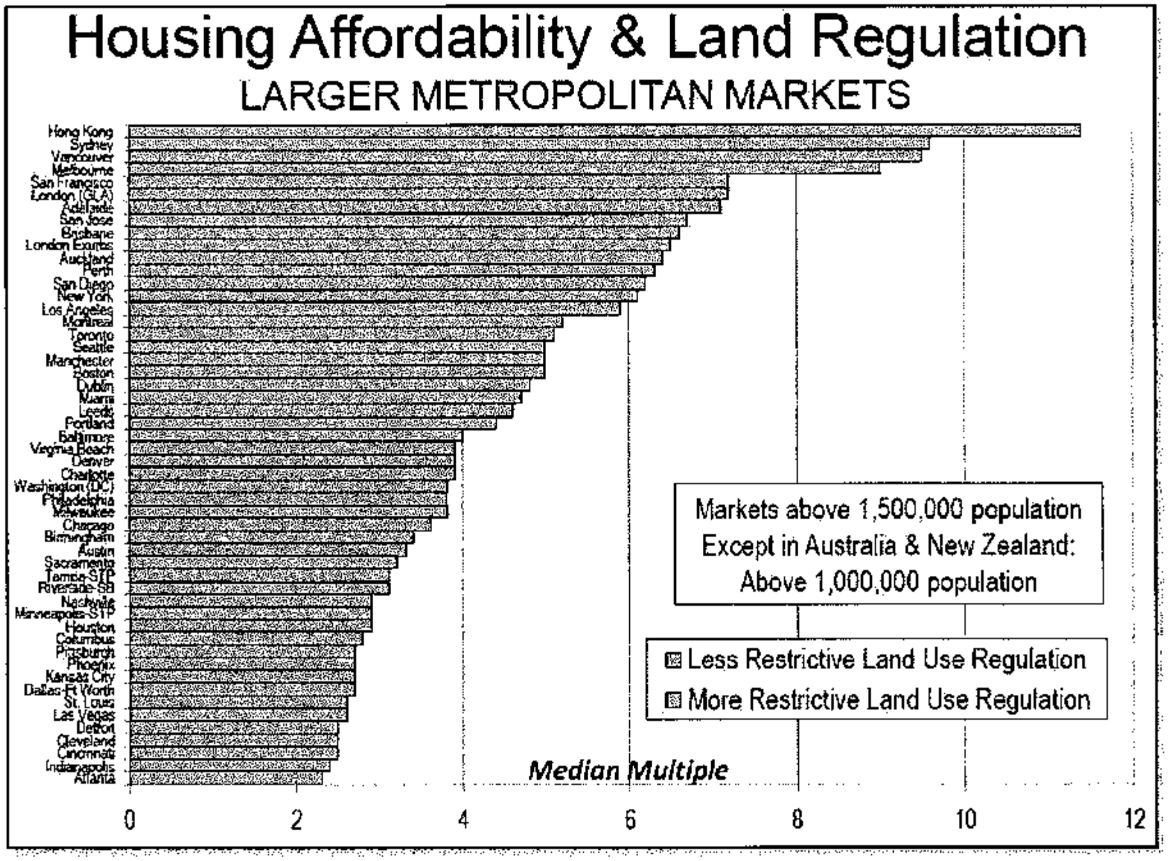
Land Costs and Land Use Restrictions

High land costs are arguably the most significant cause of Vancouver's affordability challenges. High land costs are the result of a limited land supply due to natural constraints and land use restrictions. Similar to other industries, such as petroleum exports, supply restraints lead to higher prices.

Greater Vancouver has an unusually limited land base. With the US border to the South, an ocean to the West and mountains to the North, there is little space to grow outward, unlike many other jurisdictions in North America.

On top of these natural constraints, there are a host of land use restrictions. According to the *Demographia International Housing Affordability Survey*, Vancouver is ranked as "severely unaffordable" and the third least affordable market in the world (relative to local income levels), out of all cities that were surveyed in 2011. A large part of this can be attributed to the region's restrictive land use regulations. As illustrated in the chart below, cities throughout the world with higher land use regulations face the greatest affordability challenges. The survey employs the "Median Multiple" (median house price divided by gross annual median household income) to rate housing affordability. The higher the "Median Multiple", the less affordable a city is (relative to local incomes). Anything with a multiple 5.1 and over is considered "severely unaffordable".

Figure 6.0



Source: Demographia International Housing Affordability Survey, 2011

According to the *Demographia Study (2011):*

"More restrictive land use regulations raises land and related costs directly, by rationing the supply of land relative to demand and by imposing excessive development impact fees. More restrictive land use regulations can also increase house prices in less direct ways, such as by complicating the land development process, which can drive smaller developers out of business, lessen competition between developers and thus raise land costs. This can, in turn, lead to concentration of developable parcel ownership (oligopoly) by small groups of developers, who purchase the limited supply to ensure that they have future inventories to sell to home builders (out of fear that land regulating agencies will not permit sufficient new land to be opened for development). This practice, known as "land banking" can lead to even higher prices as the large land holders slow development of their parcels, seeking to ensure longer term returns on investment ...The higher land costs can induce builders to build more expensive houses to maintain reasonable lot price to house price ratios to obtain project financing as well as to maintain returns on investment. These direct and indirect consequences of more restrictive land use regulation can increase the price of land, thereby increasing the price of houses..."

The Study indicates that households in Vancouver can expect to pay a **"regulation premium of more than $750,000"** in principal and interest (at current rates), relative to the historic norm.

Other than natural constraints, major land use restrictions in Metro Vancouver that reduce the amount of buildable land include:

An Agricultural Land Reserve (ALR) that permeates throughout the region; and

An "Urban Containment Boundary" in Metro Vancouver's Regional Growth Strategy (RGS) that indicates where development is to be concentrated. Land use designation outside of the "Urban Containment Boundary" (conservation, recreation, agricultural and rural) is protected from most forms of development.

In total (including public spaces), approximately 70 per cent of Metro Vancouver's land cannot be developed. Over the past decade, there have been a host of **additional restrictions** on where new residential development cannot occur:

Previously, developers were encouraged to re-develop unused or inefficient industrial lands into new residential communities, as this was an easier way to add residential supply without confrontation from NIMBY groups. Currently, many municipalities are taking measures to protect industrial sites from residential re-development (in accordance to Metro Vancouver's RGS).

In the City of Vancouver, there are residential development freezes in the Central Business District, height limits imposed downtown to protect view corridors and a "Rate of Change" By-law that prohibits the re-development of rental buildings.

Regardless of the merits behind these policies, **it is important to understand that these restrictions constrain the development of new housing supply, and thus impact housing affordability levels.**

To further exacerbate Metro Vancouver's affordability challenges, the region's limited land base is carved up into 21 jurisdictions for the purpose of making land use decisions. As a result of this "many small municipalities" regime, and traditionally low municipal voter turn-out, a motivated neighbourhood can easily impact who is voted on and off of councils. Council members accordingly make decisions based on vocal neighbourhoods (who are often against growth). The result is that the variety of housing types that are required to address market demands are never met. Often, for political reasons, it is a lot easier for governments to freeze land from development than to approve new density in established neighbourhoods.

Unfortunately, the Regional Growth Strategy (RGS) does not include mechanisms that deal effectively with housing affordability and transit, nor does it address the political dynamic that makes establishing housing density close to transit possible.

Development Fees and Land Costs

Some municipal officials and consultants have argued that increasing fees and development contributions will not increase house prices, based on the theory that developers will subtract any additional costs off of the price of land at the time of purchase. **This has not been the experience of the industry in BC.**

- This argument is only true in a competitive market where buyers are given a lot of choices, due to an abundance of land and housing supply, such as in Calgary, Phoenix or Atlanta. This is not the case in BC due to the limited amount of developable land. Furthermore, as land prices continue to rise throughout the region, land owners often choose to hold on to their properties until prices increase, rather than accept discounted rates for the land. This counter-action further exacerbates the land supply problem and drives up costs.

Charges, Fees, Taxes (Municipal, Regional, Provincial and Federal)

Municipal, regional, provincial, and federal charges, fees and taxes account for approximately 15% of the cost components of new housing.

In 2010, British Columbia's Housing Minister, Rich Coleman, noted that according to the Province's research, government regulations, delays and fees on new development can add as much as $100,000 per unit to the cost of a development. According to the Minister, "every dime we put on someone's shoulders is a piece of mortgage that they are carrying that they have to pay and it means something else in the household goes away".[6]

Municipal/Regional DCCs, CACs and Other Fees

Municipal and Regional Development Cost Charges (DCCs), Community Amenity Contributions (CACs) and other fees (building permit, processing, engineering, etc.) account for approximately 30% of all government fees on new housing.

There has been an ongoing trend of local governments to shift the cost of new development from the general tax base on to developers. Municipal governments often resist financing growth by raising property taxes and having the entire community pay, as it is politically easier to increase the load on the development industry.

UDI believes that fees on developers should be proportional to the **direct impacts** of their projects and should be spent on these direct impacts accordingly. They should not be imposed on new development, in order to provide for general improvements to infrastructure systems and public services, such as roads, schools and parks. The public funds that need to provide for these general improvements should instead come from the general tax base.

The range of fees that developers pay are a direct tax on new development and are passed on to new homebuyers. It can be argued that these fees represent an unfair tax policy, as they are ultimately paid for by a group that is generally unrepresented at the time that the tax is imposed (the ultimate purchasers/tenants of the property), becoming, what is essentially, a hidden tax. New homebuyers are double-taxed, once in the beginning when they pay for all of the DCCs and community amenities, and again at the end when they continue to pay property tax.

6 *Red tape in BC boosts prices of some homes by $100,000*, Vancouver Sun, Jeff Lee, September 28, 2010

Development Cost Charges (including Area Specific DCCs)

The most substantial fees that are paid in many municipalities are the Development Cost Charges (known as Development Cost Levies in Vancouver). DCCs are paid to the municipality (as a one-time charge) by the developer at the time of subdivision approval or at the time of issuing a building permit. DCCs are monies that municipalities and regional districts collect from land developers to off-set the portion of sewer, water, drainage, parks and roads costs that are incurred as a direct result of new development. Using DCCs, local governments can apply a common set of rules and charges to all developments within communities, including different DCC rates for different types of developments and areas within municipalities.

According to the Province, "municipal councils and regional district boards have the statutory obligation to consider the impact of the DCCs on development and in particular the development of reasonable priced housing and service to the land".[7] The DCC rate varies greatly from municipality to municipality. Over the past 5 to 10 years, several municipalities in Metro Vancouver have **substantially increased their DCC rates (minimum 30% increase).** The chart below illustrates examples of such increases.

[7] *Development Cost Charges*, Province of British Columbia, Ministry of Community, Sport, and Cultural Development, 2011

Figure 7.0

DEVELOPMENT COST CHARGE INCREASES (Per Unit Fee) IN SELECTED BC MUNICIPALITIES

	Single Family 2,000 sq.ft	Townhouse 1,200 sq.ft	Condominium 900 sq.ft
Vancouver 2000[1]	N/A[2]	$3,000	$2,250
Vancouver 2011[3]	$5,280	$13,596	$10,197
% Increase	**N/A**	**353%**	**353%**
Richmond 2003[4]	$13,663[5]	$11,396[6]	$6,943[7]
Richmond 2011[8]	$24,860	$17,136	$13,581
% Increase	**82%**	**50%**	**96%**
Surrey 2002	$13,918[9]	$12,072[10]	$9,054[11]
Surrey 2011	$25,603[12]	$17,388[13]	$13,041[14]
% Increase	**84%**	**44%**	**44%**
Coquitlam 2004	$13,498[15]	$9,393	$5,654
Coquitlam 2011	$23,588[16]	$12,221	$7,503
% Increase	**75%**	**30%**	**33%**
New Westminster 2006[17]	$3,740	$4,752	$3,114
New Westminster 2012[18]	$6,920	$8,568	$6,048
% Increase	**85%**	**80%**	**94%**
Township of Langley 2004	$20,891	$17,307	$11,417
Township of Langley 2011	$26,107	$21,635	$17,591
% Increase	**25%**	**25%**	**54%**

1. City Wide DCL (some areas have higher, area specific DCCs)
2. Not applicable on projects containing less than 4 self-contained residential units and no other use
3. City Wide DCL (some areas have higher, area specific DCCs)
4. City Wide DCC
5. Rate for 0.00 – 7.49 unites/acre
6. Rate for 19.50 – 20.49 units/acre
7. Rate for 49.50 + units/acre
8. City Wide DCC
9. For Single Family, Single Family with Secondary Suite or Duplex Residential with 5% Park Dedication (RA, RA-G)
10. & 11. For Multi Family (RM-15)
12. For Single Family (RA, RA-G, RH, RH-G, RC (Types I and II), RF-O)
13. & 14. For Multi Family (RM 15)
15. & 16. Both 2004 and 2011 Single Family rates are for parcels equal to or greater than 375m sq.
17. & 18. Rates for Queensborough Area

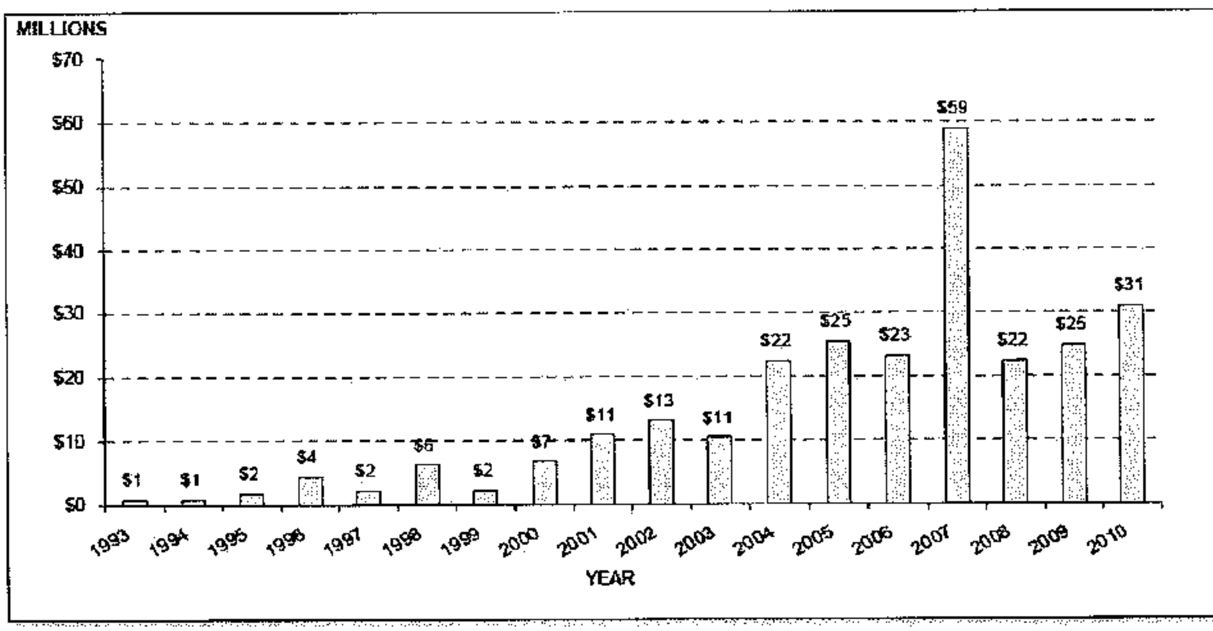
The magnitude of development charges throughout Metro Vancouver are of concern because these charges put upward pressures on the price of housing, and this diminishes housing affordability for an increasing number of prospective purchasers.

Accountability of how DCCs are applied is also of concern. DCCs are supposed to be used for impacts specifically related to new growth, but many times they are not.

The table below illustrates how Development Cost Charge/Levies (DCLs) collection has been increasing over time, due to the expanding application of the levy in the City of Vancouver. **Since 1993, it is clear that the City of Vancouver has been increasingly relying on these to help fund capital projects.**

Figure 8.0

Annual DCL Collection (including interest), City of Vancouver: 1993 -2010



Source: City of Vancouver, 2011

Metro Vancouver Development Cost Charges

In addition to municipal DCCs, Metro Vancouver applies DCCs to pay for new sanitary sewer works, such as additional trunk lines, pumping stations and wastewater treatment plant expansion.

DCCs are calculated based on the type of development and the location. The Lower Mainland is divided into four sewerage areas: Fraser Valley, Lulu Island West, North Shore and Vancouver. Local municipalities are responsible for collecting the charge. This is usually done at the subdivision approval stage for single-family residential developments and at the building permit stage for other types of development.

The chart below outlines the general rates, although individual municipalities sometimes choose to charge less to developers and use other revenue sources to make up the difference.

Figure 9.0

METRO VANCOUVER DEVELOPMENT COST CHARGES: 2011				
	Fraser Valley	Lulu Island West	North Shore	Vancouver
Single Family Residential (Use per dwelling unit)	$1,731	$1,077	$1,291	$944
Townhouse Residential (Use per dwelling unit)	$1,515	$942	$1,129	$826
Apartment Residential (Use per dwelling unit)	$1,082	$673	$807	$590
Non-Residential (Use per sq. ft. of building)	$0.81	$0.51	$0.61	$0.44

Source: Metro Vancouver, 2011

Amenity Contributions

The amenities that developers pay for (when they re-zone property to a higher density) are significant, and can undermine the potential savings that should be passed to homebuyers when they want to live in multi-family dwellings. The most affordable form of housing in Greater Vancouver is multi-family product. Any amenity charges that governments ask for when a developer wants to build higher density multi-family product is counter-productive to achieving low cost housing.

Section 904 of the *Local Government Act* sets out the municipal ability to link allowable density to the provision of amenities (density bonusing). This section, in essence, mentions how a zoning district can specify allowable density of development that is generally applicable in the zone, and may also specify higher allowable densities that can be achieved if certain conditions are met. These conditions involve the provision of amenities.

Section 904 also indicates that an amenity zone should specify the "number, kind, and extent" of amenity that is to be provided. This language suggests that amenities should be well-defined, be in the form of an actual physical amenity (such as a public open space, social housing, day care facility, public art, arts facility, etc.) and be provided on the development site that is providing the amenity. Nevertheless, some municipalities have an explicit cash contribution component in some of their amenity bonus zones.

Municipalities in Greater Vancouver have used a variety of bonus density models – some have policies in place that are site specific, and related to the increase in value of land (land lift) or a pro-forma analysis (developer profit). Others have set flat rates for all applications or use floor area exclusions.

Industry Concerns with Density Bonusing/Amenity Contributions

Whatever model is used, there are concerns that local governments will downzone areas so that the outright density is lower than it otherwise would be from a best practices planning perspective. This would allow local governments to increase the likelihood that they receive amenities and/or affordable housing, as developers seek the density bonus.

This process is intended to be (and generally is) voluntary, as the contributions are often established through negotiations between developers and local governments. However, the "voluntary" contributions are involuntary requirements. Applications will not be processed in a timely manner (or approved at all), if contributions are not forthcoming.

There are also fairness, accountability and transparency issues. Municipalities often do not report how they spend the money collected from amenity contributions.

In many cases, little research or analysis is done to ascertain what money is needed, or why it is needed. Often, there are no assurances regarding how the contributions will be spent, and the relevance of the contributions to proposed developments is questionable.

There are public policy considerations as the value of these contributions increases. Municipalities are looking at "voluntary" contributions to fund large-scale projects. It has been suggested by some local officials that governments should receive up to 100% of the increased land value from re-zoning.

One municipality established a $4 per square foot charge on development, without any consultation with the development industry. A municipality on Vancouver Island is requiring developers to pay for parking meters in front of their building. Another municipality is attempting to have developers pay for their municipal hall through amenity charges.

City of Vancouver's Community Amenity Contribution Policy

The City of Vancouver asks for Community Amenity Contributions (CACs), which, according to the City, "are intended to help address the increased demands that may be placed on municipal facilities as a result of a re-zoning, as well as mitigate the impacts of a re-zoning on the surrounding community".[8] In many cases, the City of Vancouver collects about 75% of the increase in value or 'lift' from the developer. In other words, they calculate the additional value added to the land, which is attributable to the increase in density. UDI disagrees with this approach, as it gives the City an incentive to improperly zone land and cause developers to bring forward re-zoning applications that may result in payments to the City. However, if developers do not accept the re-zoning risks, there will be insufficient zoned land for certain types of development, resulting in higher housing costs.

[8] *2010 Annual Report on Public Benefits Achieved Through Approvals of Additional Density*. City of Vancouver, 2010

This is currently the case. New townhouse developments are very expensive since there are virtually no zoned townhouse sites in most parts of the City.

Furthermore, if the City has CACs that are too high, landowners may refuse to discount their price accordingly. Indeed, many single family properties along the Cambie corridor are priced well above their zoned value.[9]

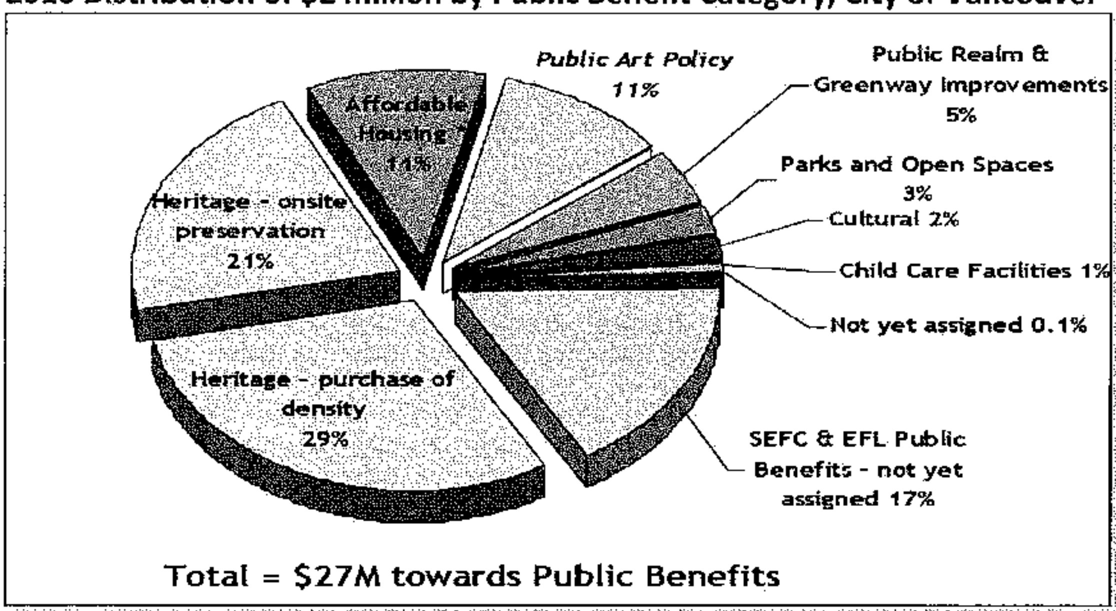
Nevertheless, the "lift", or profit level a developer receives, is in no way tied to addressing the increased demands that may be placed on municipal facilities, as a result of a re-zoning.

The CAC negotiation process has stalled many developments (e.g. along Vancouver's Cambie Corridor), as developers are finding it difficult to assemble land without certainty of knowing how the fees are to be applied. Developers have indicated that CACs in Vancouver for non-standard re-zoning can add as much as $35 per square foot to the price of housing.

In Vancouver in 2010, there were 23 approvals of additional density, resulting in contributions totalling nearly $27 million towards public benefits. Shown in the chart below is the value of market project approvals grouped by public benefit category.

Figure 10.0

2010 Distribution of $2 million by Public Benefit Category, City of Vancouver



Source: City of Vancouver, 2010
*For more information on delays and the CAC process in Vancouver (as it relates to the Cambie Corridor), see Appendix C.

[9] *Financing Growth in Vancouver: Why the current approach isn't working*, Bob Ransford, Vancouver Sun, February 5, 2011

i. *Affordable Housing Fees*

As part of the re-zoning process, some municipalities require developers to pay "affordable housing fees", as a way of financing subsidized units.

The City of Richmond has adopted a density bonusing approach to build affordable housing. To achieve a proposed density envisioned, for each multi-family or mixed-use development containing more than 80 residential units, developers are asked to build at least 5% of the total residential building area (based on the residential Floor Area Ratio-FAR) as low-end market rental units (minimum of 4 units). A Housing Agreement is registered on title through the re-zoning process that specifies rental rates suitable to low income groups.

- For townhouse developments and smaller apartment developments, a cash-in-lieu contribution towards the City's Affordable Housing Statutory Reserve Fund is required in exchange for the increased density proposed, as part of a re-zoning application. The cash contribution amounts to $2 per square foot for townhouse developments or $4 per square foot for apartment and mixed-use developments.[10]

- Richmond's West Cambie Area Plan allows an increase of density from 1.5 to 1.7 FAR, with the incremental floor space to be used for affordable housing units, or cash-in-lieu equal to $5.10 per buildable square foot to go into the City's Affordable Housing Statutory Reserve Fund. The implications of this levy on market housing affordability are negative. A typical 1,200 sq. ft. house with a mortgage amortized over a 25-year term, and an indexed interest rate of 5.7%, would expend $5,216 on interest alone. This is in addition to the principle amount of $6,120, resulting in a total charge of $11,336.

Beginning in 1988, the City of Vancouver has required that major re-zonings of lands to multi-unit residential use include 20% social housing. The developer must enter into a Housing Agreement with the City, as a pre-condition to obtaining a building permit. This often results in negotiations between the City and the developer, in order to strike a balance between increased density and affordable housing.

- Along the Cambie Corridor, specific housing policies require the achievement of 20% affordable market rental housing units on the majority of "Phase 2" sites throughout the Corridor. According to the City, due to the need to acquire "other public benefits through community amenity contributions", it is recognized that the 20% requirement will not be accomplished in all cases. The policy states that the value of the rental housing requirement is not to exceed 50% of the total CAC calculation for each development site.[11]

[10] *Richmond Affordable Housing Strategy*, City of Richmond, 2008
[11] *Cambie Corridor Plan*, City of Vancouver, 2011

The ironic point about "affordable housing fees" are how they distort the supply of market housing and; therefore, make market housing less attainable for those who do not qualify for subsidized units. Essentially, a municipality is asking new homebuyers (a small group of society) to subsidize renters and pay for broader societal affordability problems. This type of approach is best suited through our income re-distribution systems (senior levels of government), and not at the municipal level. Senior governments have more resources to handle affordable housing, and hence should play a larger role in the delivery of this type of product.

Public Art Fees

Although separate from the amenity contribution process, public art levies are also associated with the approvals of additional density (re-zoning). These contributions differ from other types of negotiated public benefits because Public Art Policy specifies a per square foot contribution for larger projects.

In the City of Vancouver, developments greater than 100,000 sq. ft. are required to pay $1.81 per buildable foot towards public art. Developers can choose to pay their entire art budget to the City, or they can choose a 60/40 split option. The 60/40 split scenario involves the developer paying 60% of the art budget towards on-site art installations, with the remaining 40% is put into the Public Art Reserve.

In 2010, 11% of the money Vancouver received towards public benefits (through re-zoning) went towards public art. This is equal to the amount of amenity contributions that went towards affordable housing, and more than the amount that went towards Child Care Facilities (1%).[12]

The City of Richmond's Public Art Policy calls for developer contributions to be based on 0.5% of construction costs. The contributions are $0.75 per square foot for residential developments. Developers have the option to make monetary contributions to the public art reserve, or they can install public art on their development site. For budgets under $40,000, it is encouraged that developers make monetary contributions.

For the City of Surrey, applicable developments for participation in the program include multi-family residential containing 10 or more units. Budgets are based on 0.25% of estimated total construction costs. Projects with public art budgets less than $100,000 must contribute cash-in-lieu to the Surrey Public Art Reserve. When the contribution is calculated to be greater than $100,000, developers have the option to install public art on the vicinity of their development, or they can choose to provide cash-in-lieu to the Public Art Reserve.

In most cases, public art fees can add an extra $700 to $1,500 per unit (depending on size of unit and location).

[12] *2010 Annual Report on Public Benefits Achieved through Approvals of Additional Density*, City of Vancouver

Other Municipal Fees

In addition to DCCs and CACs, there are several other municipal fees that developers must pay. Municipal fee powers have been expanded under the Community Charter (section 194) and the impact is materializing with the introduction of a range of fees, including:

- Building permit fees;
- Development permit fees;
- Subdivision/Development application fees;
- Development application and processing fees;
- Plumbing permit fees;
- Storm and sanitary sewer connection fees;
- Service pipe removal fees;
- Water connection fees;
- Inspection of drainage title system;
- Electrical permits;
- Installation of water meters;
- Utility connection fees;
- Preliminary plan approval fees;
- Engineering inspection fees;
- Building grade fees;
- Service agreement fees;
- Airport parcel application fees;
- Hoarding fees;
- Tree removal fees;
- Sediment control permit and fee; and
- Sewer permit fees

Although many of these fees are small, together they can have a large impact on housing affordability. According to feedback from developers and municipal staff, these fees can typically add **$3,000 to $6,000 to the cost of each unit (depending on the type of development and municipality).**

The development industry has expressed concerns arising from charges that are being introduced without satisfactory notice. These contribute to the already murky cost picture, and are, as a proportion of project cost, becoming increasingly burdensome.

The fee provisions under the Charter are less transparent than DCCs. Under the Local Government Act (LGA), DCCs are clearly defined and limited. The fees under the Charter lack oversight or expectations on how fees are to be calculated. Further accountability is very limited, as reports on fees imposed under Section 194 need only be provided upon request, and are not forwarded to the Inspector of Municipalities.

Since the Community Charter does not limit the use of fees, the items that the development industry may have to pay for in the future are boundless. Some municipalities use these fees to pay for infrastructure. DCCs (as stipulated in the LGA) are meant to be used to pay for infrastructure instead.

Provincial Fees and Taxes

HST/PST (Provincial Portion)

Over the summer of 2011, BC voters (in a referendum) decided to extinguish the HST, in favour of reinstating the PST, in conjunction with the GST. The return to the PST/GST structure will not occur until early 2013. For the purposes of this report, we have identified the costs with each type of tax structure. The GST will be discussed in the next section.

Previously, new BC homes were subject to a 5% GST (federal tax). The PST (7%) was not applied to new housing. With the introduction of the HST, the 5% was replaced with the higher 12% BC HST (combined federal and provincial tax).

The 12% HST is applied on the total purchase price of a new home in BC. The Province of BC provides a rebate for new housing purchased as a primary residence. The rebate is 71.43% of the provincial portion of the HST, up to a maximum rebate of $26,250. Purchasers of eligible new homes above $525,000 are eligible for a rebate of $26,250 (i.e. a rebate on the first $525,000 of value).

The new HST has the most impact on higher priced markets. Greater Vancouver is the highest priced market Canada - most new homes are valued above $525,000. The HST has added additional costs to housing for most purchasers of new homes in Greater Vancouver. **For a median priced (MLS) new 3 bedroom townhouse in the City of Vancouver ($804,500), the Province collects $28,939 (after rebate) in the provincial portion of the HST.**

Under the HST, there is no sales tax embedded in the price of new homes because builders recover the HST they pay on their materials through input tax credits (equal to about 2% of the cost). This does not occur under the PST/GST structure, which means that a return to the PST/GST structure will likely result in approximately a 2% provincial tax on the cost of new housing. **Under the PST/GST structure, the Province will collect approximately $16,090 on an $804,500 home.**

PTT

The Province also collects a Property Transfer Tax (PTT), which can be paid multiple times on the same piece of land, and also adds to the cost of new housing.

In 1987, the provincial government introduced PTT of 1% on homes up to $200,000 and 2% thereafter, as a wealth tax. When introduced, the 2% portion of the PTT was expected to apply to only 5% of homes sold. At that time, the average home price in BC was $101,916. In 2009; however, the average price of a home in BC was $465,725, and the 2% portion was levied on about 86% of homes sold. The structure of the PTT has not changed since the tax was introduced in 1987, despite significant changes in the housing market. The 2% Property Transfer Tax levy is no longer only a wealth tax; it has now become a tax on medium and low-income households, as well.[13]

PTT is one of the major contributing factors in the declining affordability of homes for first-time homebuyers. First-time homebuyers are only exempt from PTT for home purchases below $425,000. This is well below the average price of a new home in Greater Vancouver.

The average land transfer cost in BC is $7,000 – four times the national average. For a median priced (MLS) new 3 bedroom townhouse in the City of Vancouver ($804,500), the Province **collects $13,768 in PTT.**

Buyers of new homes are doubly and even triply impacted because property during the course of development may be re-sold several times. For example, when a developer buys from a property owner, the PTT is paid. When the property is subdivided and sold to a builder the PTT is paid once again. When the house is sold to a homebuyer the PTT is paid a third time.

As a tax that is triggered by the sale of property, PTT effectively impacts people's decisions to buy or sell, so as to avoid having to pay PTT. This is a negative social consequence of the PTT, and prevents residents from re-locating to preferred properties, downsizing from existing homes and freeing up housing stock and supply. If residents want to live closer to work (in order to reduce commuting times) or want to downsize into more energy efficient homes, a tax on the property sale might discourage them from doing this. The government should encourage (not tax) residents when they make decisions to move into preferred housing choices.

For the HST, GST/PST structure and the PTT, the taxes paid are significantly lower when the price of the home is lower. Many lower-priced homes in Metro Vancouver are located in the eastern communities within the Region, which impacts commuting and the Province's policy mandate to reduce Greenhouse gas emissions.

Home Warranty Protection

The Province also requires that new homes be covered by warranty. These fees are paid by the builder to non-profit organizations or to for-profit companies mandated by the government to provide warranties. The Provincial *"New Home Warranty Program"* premiums apply on new homes. Premiums charged depend upon the size and nature of the development. It is a per unit fee. The estimated fee for a Single Family or Townhouse is $1,000. For a condominium unit, the fees usually range between $500 and $1,000, with experienced builders paying less per unit.

[13] *Economic Analysis of the Removal of OTT from New Home Sales*, MNP LLP/Urban Development Institute, August 2011

Reconstruction Levy (Coastal Climate Zone)

The Province requires that new homebuilders be licensed by the Homeowner Protection Office (a crown agency). The Office applies a per unit licence fee for the construction of new multi-unit buildings in the coastal climate zone (the Lower Mainland and the bottom half of Vancouver Island). This fee is $750 per unit.

Title Registration Fees

The Province imposes a fee for the registration of title, payable by the purchaser to the Province when property is sold. In British Columbia, the title registration fee is $65.65.

School Site Acquisition Charges

The School Site Acquisition charge is a tax per dwelling unit to be paid by residential developers. The charge is required by the Province, collected by local governments and transferred to school boards. The money collected will be used to help pay for new school sites needed, as a result of new residential development. These fees range from $600 to $1,000 per unit depending on whether it is a low, medium or high-density development. The charge is calculated based on 35% of total serviced land costs for eligible school sites, as set by provincial legislation.

Federal Charges

New home purchases in Canada are subject to 5% GST. The 5% GST applies on new housing under the HST structure and the PST/GST structure. There is a rebate on homes less than $450,000. The rebate reduces the GST from 5% to approximately 3.5% for homes valued at $350,000 or less. The rebate is gradually reduced for homes valued from $350,000 to a maximum value of $450,000. If a home is priced higher than $450,000 (which includes the majority of new homes in BC, particularly in Metro Vancouver), there is no rebate, unlike the Provincial portion of the HST that provides a $26,250 rebate regardless of how high the price is of the home.

Given that housing prices are much higher in Metro Vancouver than the rest of Canada, Metro Vancouver homebuyers pay a lot more in GST when purchasing a new home, compared to other areas in Canada. There are significant equity concerns with this tax on housing – the amount paid is not tied to income levels or federal investments back to the region.

The Federal Government should improve the GST rebate and index it by region, in order to off-set the higher taxes paid by British Columbians.

For a median priced (MLS) new 3 bedroom townhouse in the City of Vancouver ($804,500), the Federal Government collects $40,225 in GST.

Regulations and Requirements (Municipal, Provincial and Federal)

In addition to fees charges and taxes, onerous requirements and regulations by the three levels of government can severely impact the price of housing. For example, inefficient municipal requirements add to the cost of housing, as excessive setbacks and wide roads add extra costs. The **cumulative impact** of onerous regulations and requirements in BC has had a large impact on housing affordability. Many of these requirements have increased over time, or have become more stringent.

Indeed, **over the past 10 years, construction costs in BC have escalated by over 40% (depending on type and location of residential development)**.[14]

Municipal Building Regulations

Under section 9 of the Community Charter, the Provincial government is responsible for building policy. Local governments can set standards, but only with Provincial approval, so as to ensure that there are uniform rules across the Province that have been adequately vetted and reviewed.

In 2006, a new building code was adopted in BC (2006 BC Building Code) that applies to all municipalities and local governments in BC, with the exception of the City of Vancouver. Instead, the Vancouver Charter enables the City to adopt the City of Vancouver Building By-law that regulates the design and construction requirements of buildings, as well as administrative provisions for permitting, inspection and enforcement of these requirements.

Municipalities have been using their re-zoning powers to establish new building policies related to "green" buildings, adaptable housing and other requirements. As a result, builders and developers are facing different rules and procedures, depending on where they are working. This creates confusion in the industry and inefficiencies, which undermines construction quality and affordability.

The development industry is increasingly faced with an array of untested and conflicting building regulations at the municipal level. Many local government requirements are imposed before any adequate testing or cost/benefit analyses have been done. Warranty issues are also often ignored. Conversely, the Province has significant resources and a well-regarded process to proceed with the appropriate due diligence needed for important changes to building policy and the Building Code.

- This is important because industry-wide problems like "leaky condos", driven in part by rushed revisions to building and energy codes, taught us that even small changes in building systems may have unintended consequences.

[14] *Construction Price Indexes*, Statistics Canada, 2010

Local regulations, especially prescriptive ones, can also stifle better buildings because technology improves overtime. For example, if local governments mandate green roofs, they will be at a disadvantage when new and better technologies become available.

The Government recently indicated that it is pursuing a uniform Building Code with one set of technical standards, interpretations and a consistent application of those standards across British Columbia. UDI endorses this initiative.

Green Building Requirements

Through re-zoning powers, municipalities are increasingly establishing new green building policies that add to the cost of new housing; most recently with the introduction of policies related to LEED Gold, green roofs and district energy standards (discussed below).

Buildings are a system of complex elements. Changes in one component directly affect others, often in unexpected ways. UDI and its members want to ensure that when the policy is implemented, there are no problems or unintended costly consequences.

Green building technologies are still emerging and some technologies will work better in British Columbia's climate than others. Some are not only more appropriate for the climate, but are also more cost effective. This is an important consideration, particularly due to the region's affordability challenges.

City of Vancouver, LEED Gold & Built Green Gold Standards

Effective in 2011, all new re-zonings in the City of Vancouver must be held to LEED Gold standard or equivalent (Built Green Gold with a score of EnerGuide 82) for buildings that are either not eligible or extremely ill-suited to obtain the LEED Gold standard.

According to a commissioned report on this matter, the cost premium for multi-unit residential projects achieving LEED Gold (with 6 energy points, 1 water and 1 stormwater) ranged between 6% and 7% hard costs. The cost increase is largely driven by the costs of achieving energy credits required under the new policy. For mid and high-rise residential LEED projects, the required energy credits can account for approximately 77% to 86% of the additional construction costs.[15] **The extra costs add an additional $16,500 on a $400,000 unit.**

The Built Green Gold (with EnerGuide 82) requirements on a low-rise project, for a development company with a lot of experience in green projects, result in an addition of approximately **$1,300 per unit, with $2,000 added to the end price**. The difference between the two green building systems is largely related to energy points: the new LEED energy requirements necessitate a switch from electric baseboard systems to hydronic systems, while the Built Green energy points can be

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[15] *Vancouver's New Green Rezoning Policy: Costs and Implications*, Heather Tremain, 2010

achieved with baseboard. This change from electric baseboard adds significantly to the cost of the projects.[16]

Green Roofs

The introduction, or consideration, of "green roof" policies by municipalities in BC has increasingly become a concern. UDI members have indicated that this can add an extra $10 to $13 per square foot, compared to a standard roof. Green roofs provide minimal energy savings – likely less than 5% of heating energy. A thin, wet green roof system does not provide an effective thermal barrier, especially when compared with insulation. There are other less costly strategies to reduce energy costs (such as adding extra insulation).

District Energy

Some municipalities throughout Metro Vancouver are implementing or exploring District Energy Systems. District Energy Systems produce thermal energy at a central plant, and then pipe that energy to local buildings for space heating and cooling, and domestic hot water heating. Our members have indicated that the cost to hook up to a District Energy system could total approximately $6,000 per unit.

Accessible/Adaptable Housing By-laws

Increasingly, municipalities throughout Metro Vancouver are adopting Adaptable Housing By-laws. Adaptable housing is designed to benefit anyone whose mobility is limited. Housing is built so that accessibility features can be added more easily after construction, without significantly affecting the look or function of the unit when it is built.

In 2009, the Province introduced changes to the BC Building Code, which established a set of standards for all new adaptable housing units (only applicable for multi-family projects). Municipalities have the option of adopting these standards. Some municipalities have developed their own adaptable housing standards that can also apply to single family and townhouse projects.

- For apartments, this policy will particularly impact smaller units that are intended to be affordable. Oversized bathrooms and restrictions on kitchen layouts will add extra costs.

- Adaptability is far more difficult to apply to townhouses and smaller lot/unit single family homes (especially where there are two or more floors). Space, as a means of enhancing affordability, becomes limited, as is access within units because of the stairwells between living areas. Furthermore, it is costly to install and operate an elevator in a two or three level home. Site restrictions, such as a small lot sizes or sloping sites, can often make it difficult to build adaptable units. Accessibility restrictions can limit the per acre yield of projects, which undermines the goal of increasing densities to reduce servicing costs, ultimately decreasing affordability.

[16] *Vancouver's New Green Rezoning Policy: Costs and Implications*, Heather Tremain, 2010

Our members have noted that the added cost of building an adaptable single family house or townhouse is approximately $3,000 per unit, while building an adaptable apartment adds an extra $2,500 per unit.

The City of New Westminster recently implemented a new by-law indicating that 40% of all new multi-family units follow the Province's adaptable housing requirements.

The Township of Langley has also implemented their own adaptable housing standards that apply to multi-family homes (10% of units), as well as single family homes and townhouses (5% of units).

Our members have indicated that currently a very low percentage of their customers request adaptability features in their units. While UDI recognizes the importance of adaptability features, the concern is that many homeowners will be required to pay for the extra costs of adaptable units, yet these units may never be used by people with mobility challenges. In an effort to reduce housing costs, it is important that municipalities align their adaptable housing requirements with market demand for these types of units.

Parking Requirements

Underground parking requirements can cost approximately $40,000 per stall. There are several benefits to lower parking standards. It is better for the environment and health of the region if car use is limited, while the use of public transit, walking and biking are encouraged. Our members are aware of projects across Metro Vancouver where 5 to 10% of the stalls are unused. Housing affordability will improve if parking requirements are reduced.

Onsite and Offsite Regulations and By-laws (Non-building Related)

In addition to building requirements, there are a range of infrastructure requirements (both onsite and offsite) that developers must either build or contribute money towards.

Our members have indicated concerns about costly standards required by municipalities, whether related to wide road standards (including wide sidewalks and bike lanes) or new sewer and water infrastructure upgrades. These requirements all add significant costs.

- The City of Surrey, for instance, is proposing to amend its road standards. It would like future roads to be widened to accommodate larger bike lanes and increase street parking capacity. Surrey staff mentioned that the arterial road allowance would be widened from 27 to 30 metres, and collectors from 22 to 24 metres. These requirements add costs to development and could impact housing affordability, as wide road standards often leave less land for housing units.

One municipality recently proposed that developers provide both a road bike lane and greenway bike trails - even though the two may only be a few metres apart - thus reducing development area and adding as much as $9,000 per lot. The same municipality also proposed developers build a right of way for pipe requirements that were being widened from 3 metres to 4.5 metres, not only potentially adding another $9,000 per lot when required, but also reducing the number of lots per acre and increasing pavement requirement. The municipality eventually altered these proposals to reduce costs based on industry concerns.

Environmental Requirements/Restrictions:

There are a host of government by-laws and policies relating to environmental protection. These often add to costs, or result in less land to develop. They include:

- Wildlife Habitat Corridors;
- Streamside Protection Regulations;
- Parks Plans;
- Tree Preservation By-laws;
- Site Profile, Site Classification and Groundwater Rules;
- Riparian Areas Regulations;
- Species at Risk Act;
- Erosion and Sediment Control By-laws;
- Department of Fishers & Oceans Requirements; and
- Regulations pertaining to Environmentally Sensitive Areas and Environmental Development Permit Areas

Although these regulations are important in order to protect our environment, it is important to ensure that the regulations are imposed in a practical and cost efficient manner. Below are three examples on how these regulations impact affordability:

Tree Preservation By-laws

Many of our members have concerns about Tree Preservation By-laws and the implications they have on the costs of development (especially for townhouses since they require a lot of site space). In many cases, it is not always possible or advisable to retain all existing trees on a re-development site. Developers face substantial expenses and time delays when, for example, a site plan is significantly altered because of a Tree Plan that was agreed to during the re-zoning process, and is then rejected or significantly altered by other staff during another part of the development approval process. Under a bonding scenario, despite the efforts and costs incurred to hire a professional arborist, governments could penalize the developer if some of the trees do not survive. Generally, it is far more costly to retain a tree than to replace a tree. Municipalities should recognize and encourage this through a credit system, by, for example, making the retention of one existing tree equal to the replacement of two new trees. That said, not every existing tree should necessarily be preserved. Unhealthy or sick trees should not be retained simply because they exist on a site. Developers struggle with the coordination of peat removal, preload, tree retention and the final grades required on the site. The preload, peat removal and grade site requirement are often in conflict with the goal of tree retention and the actual grades of the trees.

i. Site Classification and Groundwater Rules

The Ministry of Environment has developed new rules regarding site profile, site risk classification and groundwater. These new rules apply to all parts of the Province, and the Ministry has indicated that they may "considerably change the time and cost to do contaminated sites assessment and management in BC". This even applies to urban infill areas – where it is difficult to ensure that remediated sites will stay clean because of migrating contaminants. Some affordable housing projects are being put into jeopardy because of these new rules.

The new groundwater program does not give recognition to the realities of a realizable future beneficial use for groundwater, in particular within urban environments where the risk to the groundwater is high. This new approach goes well beyond that of jurisdictions such as California, which recognize that a groundwater resource in a downtown urban environment is not realistically going to be used for drinking water.

The Ministry should be allowed to designate areas (i.e. urban areas) where it would not apply, where it is not feasible to decontaminate sites to meet drinking water standards, or where there is no expectation that wells could be created because buildings are connected to municipal water systems.

The industry is having difficulty synchronizing the Ministry's process with municipal approval processes. This is because municipalities frequently differ from each other in their approach to implementation and requirements.

Erosion and Sediment Control By-laws

The issue of erosion and sedimentation control, during development permit and construction phases, has been a major policy item in the Lower Mainland for some time, and has culminated in the development of numerous by-laws aimed at mitigating the negative effects of construction activities on important aquatic habitats in adjacent streams/watercourses. While UDI recognizes the concerns with erosion and sediment control at development sites, it is important to understand that these regulations add significant costs to construction. Practical and cost efficient measures should be developed to protect our environment.

Processing Times, Delays and Holding Costs

Regulatory barriers and an unpredictable approval process add significantly to the indirect costs of housing. By simplifying and shortening the municipal approval process, the cost of financing housing developments is reduced. This is because interest must be paid on the funds borrowed to purchase the development site during every month the project awaits approval. These costs are ultimately passed on to the consumer.

Throughout BC, developers spend a lot of money on moving a project forward for approval. **Because the approval process takes so long, a large amount of money is spent on the carrying costs of land.** And because the outcome is so uncertain, the perceived risks to investors are increased, which drives up the rates of return that investors demand. In addition, the upfront costs of unapproved developments must be recouped by those that are approved.

- Approval processes vary across municipalities. Based on industry feedback, in the Lower Mainland, an average size residential project takes approximately 12 to 18 months to re-zone (assuming they are in line with the OCP) and obtain a development/building permit. For large projects, it can take as long as five years to gain approvals. Interim delays often occur, adding to these timelines.

Large disparities exist in the processing of applications, sometimes as a result of bureaucratic delays. The industry has encountered a number of examples where the bureaucratic encumbrances of municipal process have resulted in lengthy, often unnecessary, delays.

- A significant residential project in Burnaby was delayed 11 months due to a hold-up in the issuance of a Foundation Permit from the Engineering Department. Without any significant cause, as paperwork had been produced in a timely manner, the project experienced lengthy delays and unexpected costs; an estimated $20,000 per day.

- As a result of protracted municipal bureaucracy, another Lower Mainland municipality spent 10 years developing an OCP for an area. An investor had purchased a sizable tract of land subsequent to the OCP process, holding out on development until the completion of the OCP. During the process of submitting re-zoning documents, the developer was again delayed, this time by a Neighbourhood Plan, which was pending. An additional year and a half elapsed, with a further investment in holding costs. Furthermore, re-zoning on the land was once more delayed, as a result of an ongoing study and newly imposed by-laws and guidelines that froze the processing of applications. And another year was lost to process. A subsequent subdivision application was submitted, and is currently in process. The feasibility of the project on this site has been severely compromised.

Neither of these processes support the affordability of housing. For certain projects, a range of study requirements (e.g. traffic studies) are needed, which can add further costs and even more delays to a project.

The uncertainty with the re-zoning and community amenity process can also add delays. Many developers have expressed frustration with the delay in assembling land (due to uncertain municipal amenity contribution policies). Developers often have to spend several months exchanging financial information with municipal staff, in order to determine an appropriate "lift" for re-zonings.

Metro Vancouver's recently approved Regional Growth Strategy could add even more processing delays. There is concern in the development industry about adding a new layer of approvals (that will essentially duplicate the approvals process for some projects) to an already complex and lengthy process.

Public opposition (NIMBY groups) can also add delays and costs to a project. Often, a developer (and a team of staff) will need to attend numerous public hearings before a project is approved.

Such delays add large costs to a project, which are ultimately borne by the homebuyer. **Daily holding costs can be as low as $1,500 for a small townhouse or up to $30,000 for a large, complex project.**

Combined Impact

The case study below details the extent of taxes, fees and charges included in a typical condominium development project in Metro Vancouver. These are typical charges and vary depending on the municipality and scale of project. The costs of some municipal requirements have been added to this case study as well.

Figure 11.0

A Typical Condominium Development Project in Metro Vancouver

100-UNIT MID RISE APARTMENT (CASE STUDY)		
Size of Unit	**900 sq.ft**	
Price of Unit	**$530,000 ($588/sq.ft.)**	
Project Assumptions:	**Cost Per Unit ($)**	**Per SQ.FT**
Land Costs (including "lift")	$162,000	$180/sq.ft
Construction Costs (includes requirements)	$160,200	$178/sq.ft
Soft Costs (includes fees, taxes and holding costs)	$135,000	$150/sq.ft
Developer Profit	$72,000	$80/sq.ft
Government Imposed Fees, Taxes, & Costs:	**Cost Per Unit ($)**	
Municipal		
Development Cost Charges/Levies	$11,894	
Metro Vancouver Development Cost Charges	$590	
Total Building Permit Fees	$923	
Development Application and Processing Fees	$240	
Other Permits & Fees (e.g. Sewer, Tree, Demolition, Engineering, Inspection, Water Connection/Meter Installation, Airspace Parcel)	$1,000	
Re-zoning Related Fees (e.g. Public Art, Amenity Contribution, Affordable Housing)	$15,000	
Provincial Taxes/Fees		
PTT	$8,600	
PST (based on 2% embedded)	$10,600	
Homeowner Protection Office	$1,000	
School Site Acquisition Charge*	$700	
Coastal Climate Zone Fee	$750	
Title Registraton Fee	$65	
Federal		
GST	$26,500	
Costly Requirements		
LEED Gold**	$10,000	
Adaptable Housing	$2,000	
District Energy	$7,000	
Offsite Improvements (roads, sidewalk, etc.)	$4,000	
Holding Costs (Property Tax, Additional Studies, Loan Interest, etc)	$10,000	
Total Government Imposed Costs (GICs)/Unit	**$110,862**	

* School Site Acquisition Charges do not apply in the City of Vancouver

*** LEED Gold is only required in the City of Vancouver

*** Parking requirements were not included in this pro-forma, but can add an extra $40,000/unit

In the case study above, the total government imposed charges, fees, taxes and requirements add $110,862 to the cost of each unit. In addition, the buyer is paying an extra $97,367 in interest when amortized over a 25-year term mortgage (with an indexed interest rate of 5.7%).

Impact of Reducing Fees and Requirements on Affordability

The analysis below, provided by GP Rollo and Associates, illustrates how a reduction in requirements and fees can have a significant impact on housing costs and affordability (the impact varies for each municipality and the scale/type of residential development). In this analysis, it is assumed that all costs including land, construction, soft costs and developer profit remain constant. The price for average unit varies with changes to assumptions.

Townhouse:

- 14 UPA, 1,370 sq. ft.
- Average unit price: $368,497
- Required household income: $96,795

Low Rise Apartment:

- 0.9 FSR, 761 sq. ft.
- Average unit price: $295,082
- Required household income: $75,824

Single Family Home:

- Single Family: 4 UPA, 2,500 sq. ft. on 7,600 sq. ft. lot
- Average unit price: $617,282
- Required household income: $148,436

This analysis looks at how the unit price is affected by reductions in:

- Planning/approval times;
- Taxes during construction;
- Permit fees;
- DCCs; and
- Parking requirements

The results from a 50% Reduction in:

- Planning/Approval Times – roughly 1-2% savings per unit for Townhouses & Apartments (depending on if property is being re-zoned); negligible savings for Single Family homes
- Property Taxes – 0.1% to 0.2% savings
- Permits and Fees – 0.3% or greater saving per unit for all three housing types
- DCCs – roughly 1% or greater savings per unit
- CACs – roughly 1 to 2% savings per unit

A 25% reduction in parking requirements results in:

- A Townhouse with surface parking would save 0.6% per unit
- An Apartment with underground parking saves 4.9% per unit

Individually the impacts are small, but taken together the savings can be significant:

- **A Townhouse unit could save 3 to 4% on unit prices**
- **An Apartment unit could save 7 to 8%**
- **Single Family units are less affected by these triggers and save between 1 and 2%**

The collective impact on income requirements would be:

- Required income for a Townhouse unit could be reduced by $3,000 or more
- Required income for an Apartment unit could be reduced by almost $5,000
- Single Family income requirements are less affected by these triggers but are still reduced by $2,000 or more

A $5 per square foot CAC adds $10,000 to a townhouse unit price and almost $6,000 to an apartment unit price.

The impact of adding a secondary suite is significant. For example, if a 2,500 sq. ft. single family home adds a secondary suite:

- **Converting 600 sq. ft. suite adds 2% to price**
- **Rent of $1,080 per month**
- **Reduces required income from $148,000 to $128,000 – a 15% drop**

Alternatively, creating a 600 sq. ft. laneway house adds $100,000 to costs, but creates value with no increase in income level requirements.

<u>A modest increase in density can have a major impact on affordability.</u>

Townhouse:

- **Increase from 14 to 18 UPA**
- **$18,000 reduction in price**
- **$7,000 less in required income**

Low Rise Apartment:

- **Increase from 0.9 to 1.1 FSR**
- **$33,000 reduction in price**
- **$7,500 less in required income**

Single Family Home:

- **Increase from 4 to 6 UPA**
- **$36,000 reduction in price**
- **$8,000 less in required income**

Other municipal impacts that were not considered include Green building, LEED and Unified Building Code.

Recommendations

The factors that contribute to housing costs are multiple and very complex. However, **it is evident that the bulk of housing costs come from high lands costs (due to lack of supply) and high construction costs (hard costs)**. Land costs and construction costs are directly tied to government regulations (land and building policies). Land costs increase as supply (relative to demand) decreases, and construction costs increase as more onerous provincial and municipal regulations are involved. Government fees and charges are increasingly having a large impact as well.

The private sector is consistently examining ways to decrease costs. Developers and builders have an incentive to do this – in order to maximize returns. In a competitive market; however, these higher returns will only occur until another company can provide the same product at a lower price. It is the governments' role to ensure that there is a competitive environment in the housing industry. With increased competition, a developer will not be able to pass these extra costs to consumers (since the consumer has options).

UDI recognizes that there are few incentives for governments to develop policies to reduce housing prices. In fact, governments' revenues increase when housing prices are higher (through tax collection).

While municipalities frequently argue that their fees and charges are necessary to cover the increasing cost of infrastructure and amenities, UDI believes that **new homeowners should not be responsible for bearing the majority of these costs**. UDI also believes that **municipalities need to better manage and reduce these costs.** Municipalities are keen to provide an abundance of amenities and infrastructure upgrades, but at high costs. Indeed, Vancouver might be one of the most "liveable" or "green" places in the world (due to an array of amenities and requirements), but at what cost? Is it too liveable and green to afford?

While many governments argue that there is little they can do to impact housing costs, this is simply not true. Nevertheless, UDI recognizes the challenges that governments face: it is not popular for a politician to take actions to decrease their constituents land values; it is not popular to approve a new tower in an established neighbourhood; and it is not popular to increase taxes on existing residents (indeed, it is much easier to tax new residents through hidden DCCs, CACs and other housing related fees/taxes). Nonetheless, UDI believes that the "political risks" of tackling affordability far outweigh the inactions that have occurred for too long. A society where housing costs are low will allow a wide range of individuals and families to live together in vibrant, walkable and transit-oriented communities.

To tackle these affordability challenges, governments needs to examine the following questions:

- Should the burden of new infrastructure and amenity expenses be on new homebuyers? Is this fair?
- Should municipalities re-evaluate the type and amount of amenities that are required with new development? For example, the Cambie Corridor already has a lot of amenities (Canada

Line, Queen Elizabeth Park, Langara Golf Course, community centres and quick access to the airport, downtown and False Creek seawall). Is there a need for more? Are new homebuyers willing to sacrifice amenities for affordability? How do we balance amenities with affordability?

- Should municipalities pre-zone large areas of land to increase the supply of buildable units (which would decrease land costs)? Are municipalities willing to take actions that might compromise the land values of existing homeowners, in order to make housing more affordable for new residents? What are the incentives for municipalities to take these actions?

- Are municipalities and the Province willing to alter standards, regulations and requirements to decrease housing construction costs? Are governments willing to sacrifice some costly green requirements in order to improve affordability?

UDI's Recommendations:

Ultimately, housing is provided in a free market that is subject to the forces of supply and demand. Governments need to search for multiple ways to encourage more housing to be built. Governments need to focus on removing those barriers that inhibit new housing. It is believed that increased competition will lead to lower prices, reduced costs, more innovation and generally a stronger position for the consumer. A combination of slow land release, excessive taxation and red tape are disincentives to property developers and builders that undermine affordability. Based on the analysis throughout this report, UDI recommends the following:

i. Land Costs (Supply)

Municipalities should <u>increase the supply</u> of land that is available for medium and higher density development. Land supply and/or the amount of allowable buildable units (pre-zoned density) is a critical driver of end housing prices, and subsequently housing affordability.

- High land costs are a result of not enough land being zoned for buildable units. Jurisdictions that have their residential land supply markets in relative equilibrium are generally more affordable than those that do not. Markets with constrained land supply, such as Metro Vancouver, have a significant imbalance between affordability and long term supply. By increasing allowable density, a locality can bring housing costs into closer alignment with marginal construction costs.

- A number of jurisdictions in Metro Vancouver have been failing in this area for sometime. The lack of zoned density within Metro Vancouver has had a great impact on land costs. The vast amount of low-density development that has been built throughout Greater Vancouver has inefficiently absorbed our scarce land resources. UDI supports the wise and efficient use of our scarce land resources, and prefers to build within our existing urban boundary (density and infill near transit, as opposed to sprawl). Zoning regulations should be changed to allow for higher residential densities throughout Metro Vancouver.

The Province and local governments should fully review the implications of restrictive land supply policies on housing affordability before they are imposed. This would include Metro Vancouver's Industrial Land Reserve and any other municipal "freezes" on residential growth (downtown office core, "rate of change", view corridors, etc.). UDI urges the provincial government to conduct a cost-benefit analysis of restrictive land use policies and offer clear direction to municipalities in this regard.

ii. *Fees, Charges, Taxes*

A reduction in municipal, provincial and federal fees and taxes. The taxes, fees, levies and other imbedded charges (often double or triple-taxed) imposed by the federal, provincial and municipal governments have significant impact, as these charges are ultimately added to a mortgage. **These charges are increasingly worsening housing affordability. UDI recommends the elimination of the PTT on new housing, a regional index for the federal portion of the GST, and reduced municipal DCCs and other building permit fees.**

- Municipal DCCS and other extractions result in a cascading effect of higher GST, PTT, mortgage insurance premiums and higher property taxes, in addition to higher home prices and higher down payments/mortgage payments.

- All levels of government need to reduce the impacts that these fees and taxes have on housing affordability.

Governments need to re-examine their Amenity Contribution Policies: Rather than adapting an ad-hoc 'let's make a deal approach', municipalities should pre-zone land through a proper planning process, and establish pre-determined DCCs and CACs (at least for smaller projects). As mentioned earlier in the report, some municipalities in BC calculate CACs based on the increased value of the land (almost like an income tax). UDI disagrees with this approach.

- Pre-zoning land and having fixed CACs (that are clear, reasonable and linked to the impact of growth) will add more certainty to the development process and help to increase the supply of new housing. Increased certainty will save developers time and money (through reduced processing times). Developers need to assemble land quickly; without certainty it is difficult to do this.

- The Province should be reviewing this CAC issue, as certain municipalities appear to be charging CACs in an excessive manner. Unfortunately, some municipalities are not linking their CAC rates to the increased demands that may be placed on municipal facilities, as a result of a re-zoning. The legality of how municipalities are collecting CACs is a concern that the Province should explore as well.

iii. *Requirements and Regulations*

Governments should reduce costly building and site requirements. Inefficient, costly site/building regulations and requirements add significant costs to development. All governments should have to ensure that their requirements would work in a cost-effective manner.

UDI recommends a singular building code across the province that works effectively and efficiently.

UDI believes that the Province should be in charge of building policy, while municipalities should focus on land policy. The Province has more resources to develop practical and cost efficient building regulations. The Province should ensure that local governments are following the principles behind Section 9 of the Community Charter, and that the Province is setting building policy in BC.

To allow the industry to innovate, performance-based regulations options should be developed in addition to prescriptive codes. The Province should also consider developing incentives for green buildings so that new technologies and approaches can be tested.

UDI recommends the concept of privatizing plans approvals and inspections on all types of buildings if those services by municipalities cannot be done in an efficient and timely manner.

All three levels of government should assist with demonstration projects that show how innovative technologies can be integrated together for early market transformation. Rather than asking the private sector to bear all the risk of new regulations and requirements, governments should provide grants, tax exemptions and financing mechanisms to developers that take significant risks when testing out innovative building techniques and materials (e.g. new green features).

A reduction in parking requirements. Parking requirements are costly (approximately $40,000 per stall). A reduction in parking requirements could significantly reduce housing costs.

Governments should fully review the cost implications of new building and site area regulations and requirements before they are imposed.

iv. *Processing*

Municipalities should expedite development application times. By simplifying and shortening the municipal approval process, the cost of financing housing developments is reduced. The ability to reduce planning approval timeframes can positively impact housing affordability. Increasing development timeframes are a result of increasing government regulation and pressure for resources, in terms of both labour and capital (including infrastructure). There are likely to be opportunities to further accelerate developments that are intended to be affordable and environmentally sustainable. Incentives, in the form of accelerated approval processes, where developments demonstrate the ability to achieve desired outcomes in these areas should be implemented across all jurisdictions.

Municipalities should regularly review, monitor and improve their processing standards to ensure that they are efficient, timely and meet market demand (there are some municipalities in BC that already do this).

Conclusion

Housing affordability is critically important for our region. High housing costs undermines Metro Vancouver and British Columbia's economic competitiveness, and can have negative environmental impacts if individuals cannot live close to where they work, shop and play.

Homeownership, the end goal of the housing continuum, is an important goal for many British Columbians.

This report has shed light on where housing costs come from, and has provided a range of strategies that governments can adopt to reduce the cost components of new housing. Ultimately, land supply strategies will have the greatest impact on reducing housing costs, followed by a reduction in costly regulations, requirements and government fees and charges.

While limited in its scope, there are additional questions that this report did not cover that could provide greater insight into our affordability challenges. UDI recommends additional research on the following:

- **Strategies to reduce construction costs in BC.** Why are constructions costs so much higher in British Columbia than in other jurisdictions in North America (such as Toronto, Calgary and Seattle)? While construction costs have been impacted by a high demand for resources and labour, they have also been impacted by increased government regulations in BC, particularly in relation to environmental requirements (sustainability), safety and accessibility. Little work has been done in this regard and we recommend that a detailed study occur on how housing construction costs can be reduced without compromising key environmental, safety and accessibility outcomes.

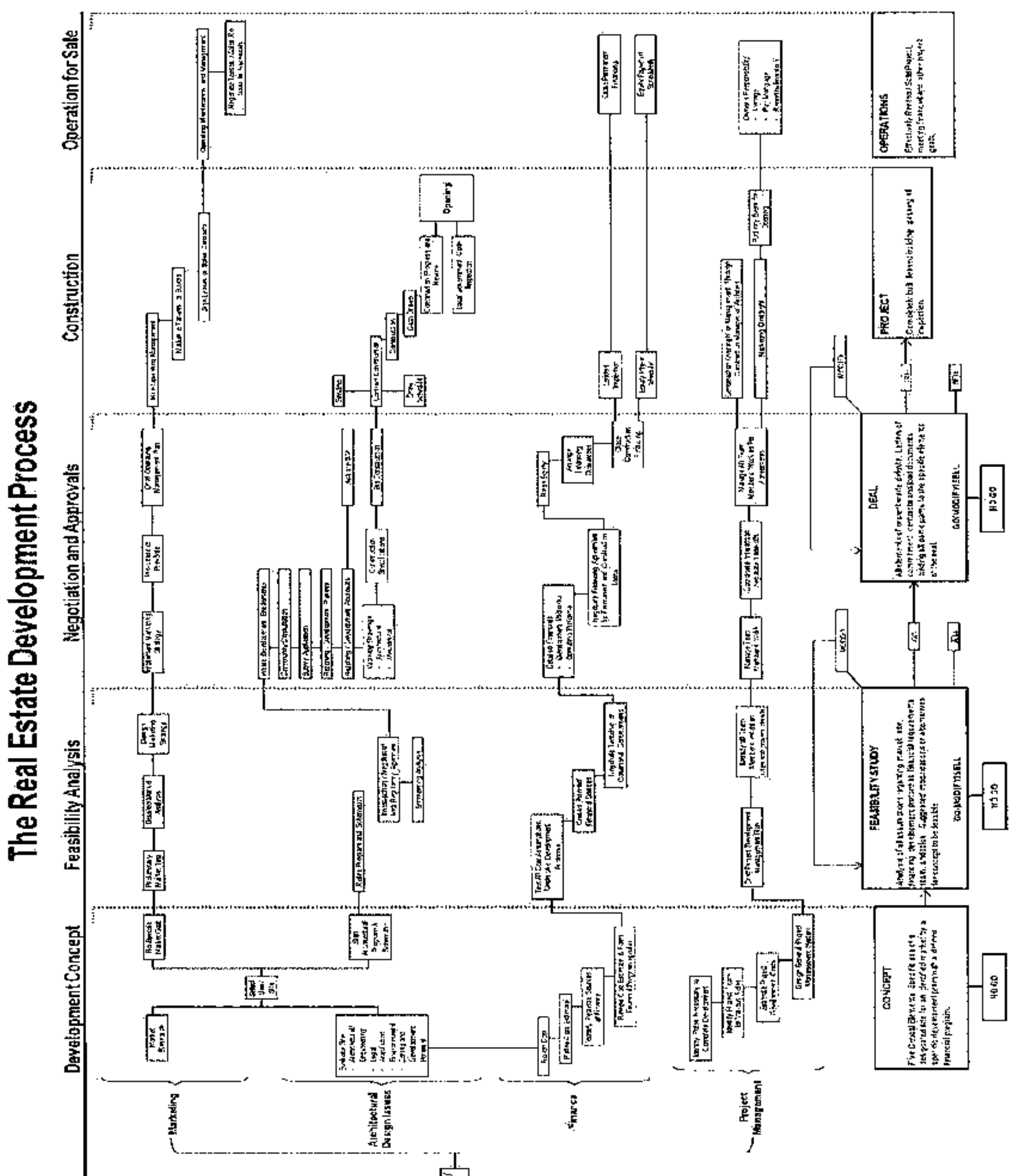
- **More research should be conducted on strategies to have more non-strata (freehold) townhouses in BC.** There are challenges that exist with building this type of product in BC. Some communities have raised concerns about approving non-strata row-houses because some of the obligations in party-wall agreements do not correspond to the land, so future owners are not obligated to fulfill those obligations, unless they have entered into new agreements at the time of purchase. This has stifled the development of non-strata row-housing in municipalities that are well-suited for it. We are pleased that the Province is currently reviewing the issue. Freehold townhouses are a good form of housing for families, and allow densification to more easily occur in existing neighbourhoods. Not only does this benefit affordability, but it also improves the environment, allows for healthier lifestyles and makes transit more viable.

- **An examination should be completed on the introduction of more modular and mobile housing in Metro Vancouver**. These styles of homes (including the use of container units) are popular throughout the world and have significantly reduced construction costs.

Appendix A (The Real Estate Development Process & Housing Affordability Concept Map)

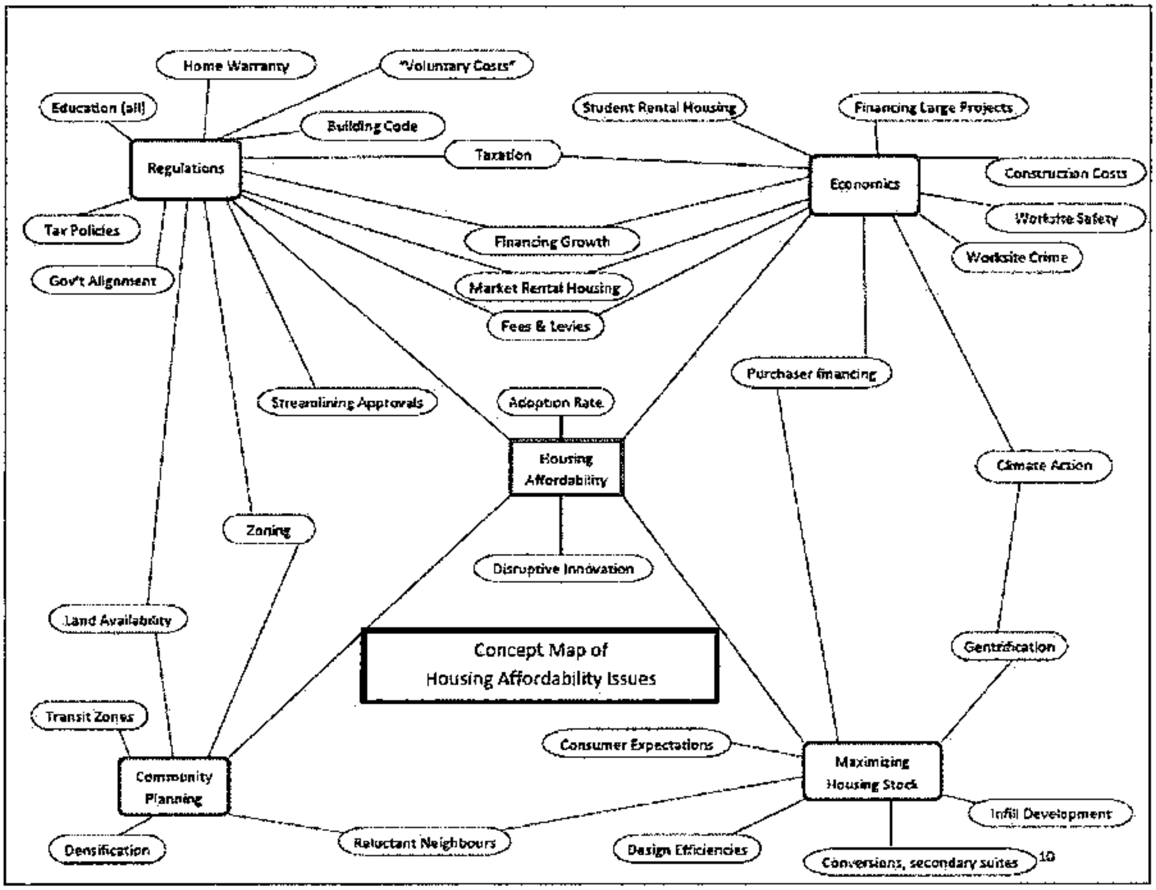
The "Real Estate Development Process" chart (below) illustrates the numerous steps that a developer incurs to receive project approval. Each step of the process adds to the cost of a home.

Figure 12.0



The Canadian Home Builders Association, in collaboration with UDI and a range of other stakeholders, identified major topics related to issues that affect housing affordability (as seen in the Concept Map below). The Concept Map for Housing Affordability creates a visual representation of the interrelatedness of the issues that impacts housing affordability.

Figure 13.0



Source: Canadian Homebuilders Association, 2011

Appendix B (Government Charge Comparison)

The following chart is a comparison of government imposed charges (GICs) between Vancouver, Burnaby, Surrey, Calgary and Toronto. This analysis is not for a re-zoning. If the site were re-zoned, one would expect there to be extra amenity fees. As shown below, in all three types of developments (single family, townhouse and apartment), Vancouver has the highest GICs.

Figure 14.0

TOTAL GICS BASED ON MEDIAN SELLING PRICE IN SELECTED CANADIAN MUNICIPALITIES

		Municipal						Provincial/Federal			Total
	Median Selling Price	Infrastruc. Charges	Land Ded. Charges	Dev App & Processing	Total Building	Other Mun.	New Home Warranty	Registry Fees/Land Transfer Tax	Other Prov	Prov/Fed Sales Tax	
Vancouver Single Family	1,288,000	17,899	0	2,365	5,569	0	1,000	23,836	27	128,310	179,006
Vancouver Townhouse	695,000	4,640	0	514	3,024	0	1,000	11,974	27	57,150	78,329
Vancouver Apartment	399,000	4,081	0	172	1,614	0	925	6,052	1,208	24,717	38,769
Burnaby Single Family	775,000	4,530	6,521	47	7,105	0	1,000	13,583	25	66,750	99,561
Burnaby Townhouse	428,000	3,209	5,430	480	3,094	0	1,000	6,638	25	28,573	48,449
Burnaby Apartment	368,000	2,282	3,072	426	2,814	0	925	5,439	25	20,593	35,576
Surrey Single Family	567,000	40,764	12,444	240	3,514	0	1,000	9,418	25	41,790	109,195
Surrey Townhouse	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0
Surrey Apartment	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0
Calgary Single Family	437,000	11,356	1,591	1,429	1,811	0	875	122	0	21,035	38,219
Calgary Townhouse	320,000	3,489	909	413	1,655	0	875	99	0	10,233	17,673
Calgary Apartment	320,000	4,037	0	59	2,020	0	875	99	0	10,233	17,323
Toronto Single Family	843,000	15,441	24,545	970	4,820	19,971	1,469	20,046	185	77,160	164,607
Toronto Townhouse	425,000	11,117	6,694	970	2,715	5,339	961	5,414	185	28,175	61,570
Toronto Apartment	240,000	5,730	2,725	183	3,077	2,128	644	2,203	38	12,480	29,208

GICs = Government Imposed Charges

Source: CMHC, Examination into Government Imposed Charges on New Housing Construction, 2011

Appendix C (Case Studies)

The following are real projects, but names of projects have not been revealed to protect privacy.

City of Richmond

Figure 15.0

Project X - 296 One and Two Bedroom Units, City of Richmond (under construction)

DESCRIPTION:	Amount	Total
Off-site Works - roadside, sidewalk, sewer extensions		$612,000
Property Transfer Tax - land purchase		$250,007
Property Tax		$474,748
Homeowner Protection Office		$229,400
Utilities, sewer, water and recycling		$253,734
Development Cost Charges		
DCC	$3,212,124	
School Site Acquisition Charge	$124,320	
Greater Vancouver Sewage and Drainage District	$170,129	
		$3,506,573
Affordable Housing: Estimated Subsidy for 22 reduced units		$930,000
Land Purchase		$300,000
Permits and Fees		
Demolition Permit	$13,814	
TDM Bus Passes	$250,000	
TDM Bike Lane Improvements: Contribution	$15,000	
TDM Bike Lane Improvements: Design Fees	$12,000	
Public Art	$160,000	
Development Permit Application Fee	$15,750	
Re-zoning Application Fee	$9,420	
Tree Removal Fees	$2,500	
Building Permit Fees	$230,617	
Sewer Upgrade and Fees	$61,518	
Sanitary Upgrade Contribution	$180,544	
Road Extension	$1,246,400	
Civil Off-site Inspection Fee	$27,053	
Water Pay and Disconnected Fees	$40,768	
Other	$6,597	
Total Permit and Fees		$2,271,981
Total Fees and Charges		$8,828,443
Total	per unit	$29,825
PTT/HST/Corporate Income Taxes		$8,000,000
	per unit	$27,027
Total Government Imposed Costs (GICs)/unit		**$56,852**

City of Burnaby
Figure 16.0

Project Y - One and Two Units, City of Burnaby (completed)

DESCRIPTION:	Amount	Total
Off-site Improvements required by City of Burnaby		$703,490
Property Transfer Tax		$75,587
Homeowner Protection Office Fees		$68,790
Property Taxes during construction and sale of units		$121,799
Development Cost Charges	$89,707	
School Site Acquisition Charge	$60,900	
Parkland Acquisition	$272,970	
Total Development Cost Charges		$423,577
Permits and Fees		
Extension Fee	$20,000	
Preliminary Planning Approval	$25,976	
Building Permit	$56,487	
Excavation Permit	$6,918	
Foundation Parkade Permit	$12,529	
Sediment Control Permit and Fee	$10,625	
Engineering, inspections, fees and pump station	$177,168	
Undergrounding Fee	$5,370	
Re-zoning Application Fee	$5,668	
Other	$3,046	
Total Permits and Fees		$311,787
Payment to Burnaby to increase permitted density		$524,376
Hydro /Tel/Cable Connection & Undergrounding		
Cost to put overhead Hydro wires adjacent to site underground	$310,253	
BC Hydro Temporary Power Connection	$11,161	
Telus Underground	$26,172	
		$347,586
TOTAL		$2,576,923
	per unit	$29,621
Cost included in selling price		
PTT on Sale of Units (includes $56,183 of PTT on other taxes and charges)		$300,000
HST		$1,300,000
Corporate Income Taxes		$900,000
TOTAL		$2,500,000
	per unit	$28,736
Total Government Imposed Costs (GICs)/unit		**$58,356**

City of Vancouver
Figure 17.0

Project Z - 197 One and Two Bedroom Units, City of Vancouver (under construction)

DESCRIPTION:	Amount	Total
Property Transfer Tax		$261,180
Homeowner Protection Office Fees		$152,675
Property Taxes		$368,916
Utilities		$1,669
DCC Balance of Greater Van Sewerage & Drainage District DCC		$69,030
Permits and Fees	$11,398	
GVRD Development Cost Levy	$1,440,560	
Development Cost Levy Phase 1 & 2	$76,036	
Building Permit and Fees	$227,421	
Demolition of Existing Rental	$89,000	
Demolition Fees	$1,455	
Tree Permit Fees	$11,721	
Engineering Fees	$105,250	
Environment Review	$15,500	
Sewer Permit	$28,426	
Air Space Parcel Application Fee	$62,100	
Hoarding Fee	$4,395	
Transit Wire Protection	$10,019	
Phased Strata App Fee	$3,470	
Other (license renewals, temporary use permits, expenses)	$2,329	
Total Permits and Fees		$2,089,081
Taxes and Fees included in Subtrade Prices		$101,900
(trade permits, recycling fees, waste disposal fees, etc.		
Hydro/Telus/Cable Connection		$89,051
Off-site improvements, road curbs, etc.		$350,000
TOTAL		$3,483,501
	per unit	**$17,683**
Cost included in selling price		
PTT on Sale of Units (includes $56,183 of PTT on other taxes and charges)		$1,237,000
HST		$3,585,000
Corporate Income Taxes		$2,868,000
TOTAL		$7,690,000
	per unit	$39,036
Total Government Imposed Costs (GICs)/unit		**$39,036**

City of Vancouver (Cambie Corridor)

A recent analysis in the Goodman Report (2011) highlights the ongoing affordability concerns in Vancouver, specifically along the Cambie Corridor. According to the Report, it has been difficult for the City of Vancouver to develop strategies to develop new housing. The City has "imposed their heavy hand", and created a lot of uncertainty by replacing "traditional zoning practices" with Official Community Plans (OCPs) that are often too focused on Community Amenity Charges (CACs) – especially along the Cambie Corridor. Re-zoning applications can sometimes take two years to be approved. In addition, construction costs are high as a result of costly LEED Gold requirements.

The Goodman Report describes how:

- A typical developer requires at least 18 to 24 months to re-zone and obtain their development approvals. This is due to the extremely long approval process in Vancouver, and also the fact that public hearings typically stop during the period leading up to civic elections.

- Instead of zoning the corridor with typical outright zoning like RM-3, RM-4, C3-A, C2 or a special new zoning, the City of Vancouver has decided to use an OCP process. This allows the City's Real Estate Department to "negotiate" CACs from builders seeking to re-zone sites. The City cannot negotiate CACs if a property is already zoned. The negotiation process leads to uncertainty.

- The "lift" that that the City desires from re-zoning is too high. The City's objective is to estimate the market value that the builder can afford to pay for the zoned land, known in the industry as the land residual. The City of Vancouver's Real Estate Department "analyzes" a project's expected costs and profit margin. The City currently estimates market land values along the Cambie Corridor to be between $120 and $150 psf buildable upon re-zoning. The City theoretically subtracts the current house value from the land residual, and the balance is known as the "Land Lift". The City has determined that it is entitled to the first 75% of any increase in land value upon re-zoning.

- The City's Real Estate Department confirmed they are negotiating CACs generally as follows:

    - Typical Lot Area (average): 8,775 sq. ft. (65 ft. x 135 ft.);
    - Existing Zoning (RS-1): 0.60 floor space ratio (FSR);
    - Current Market Value: $1,600,000 (typical 50-year-old home);
    - City Estimate: $710,775 (8,775 sq. ft. x 0.60 x $135 psf);
    - Proposed Cambie Zoning: 21,938 sq. ft. @ 2.5 FSR (6 storey building);
    - Increase in Density: 1.9 FSR (2.5 FSR – 0.60 FSR);
    - Increase in Density: 16,673 sq. ft. (1.9 FSR x 8,775 sq. ft. lot area);
    - Market Value upon Re-zoning (approximately $135 psf gross buildable): $2,961,563 (8,775 sq. ft. x 2.5 FSR x $135 psf);
    - Land Lift: $2,250,855 (16,673 sq. ft. x $135 psf);
    - City of Vancouver CAC: 75% of Land Lift;
    - Proposed CAC: $1,688,141 ($2,250,855 x 75% land lift CAC);
    - $ Per Square Foot: $76.95 psf ($1,688,141 / 21,938 sq. ft.);
    - Land Residual: $1,273,422 ($2,961,563 - $1,688,141);
    - Net loss to Landowner: $326,578 ($1,600,000 - $1,273,422)

Within the Goodman Report, "a builder mentioned that the City proposed to charge $75 psf CAC (approximately $1,645,000 based on a typical 8,775 sq. ft. lot). The City must have used slightly less than $135 psf for the estimated market value or tweaked their formula. It appears one problem with the City formula is that it incorrectly assumes the existing lot value is theoretically only worth $710,775 (8,775 sq. ft. x 0.60 FSR x $135 psf). However, even if the City used $1,600,000 market value for the existing home, the CACs payable to the City would still amount to $1,021,172 ($2,961,563 - $1,600,000 x 75%) or $46.55 psf on gross area. The builder must now either drop their project or request his realtor visit the landowners to seek a $1,688,141 price reduction (which is not likely)". Landowners will not support this situation, as they have little or nothing to gain. "Landowners along the corridor should demand outright zoning for their properties and a fixed CAC amount so that everyone will understand the potential development density and costs."

- In addition to CACs on the Cambie Corridor, a developer must pay a $10.42 City-wide Development Cost Levy (DCL), $1.81 art levy and other fees that typically average over $1,500 per unit. In addition, the City requires all new projects in the City to be LEED Gold (cost $5 - $10 psf). All new projects along the Cambie Corridor must also be capable of being hooked up to a proposed new District Energy System in the future (approximately $7,500 per unit).

- As a result of these costs, a typical 100-unit project (approximately 100,000 sq. ft. gross area) along the Cambie Corridor could cost $8M to $10M ($80,000 to $100,000 per unit) in CACs and DCLs based on the above calculations, in addition to all the other fees and construction costs.

No development will occur along the Cambie Corridor, unless both vendors and builders are satisfied. If vendors are not satisfied, they will hold on to their land, further diminishing the supply of developable land. If the costs are too high for builders and there is uncertainty in the CAC and approvals process, developers may decide not to proceed with a project or pass those costs on to buyers (including the extra profit that is required to cover the risk involved).

Many municipalities, including West Vancouver, North Vancouver District and New Westminster have implemented similar OCP and CAC policies. Similar to the Cambie Corridor, this has resulted in a shortage of development activity and supply of new housing.

Richmond Cambie Road Development

The 259-unit housing development on Cambie Street between Garden City and No. 4 road will include 81 affordable rental units for seniors and 178 entry-level homeownership homes. Originally, the developer proposed to build just 22 units of affordable housing under the city's Affordable Housing Strategy. The developer was able to increase the number of affordable rental units to 81 by working the federal government, BC Housing, the City and S.U.C.C.E.S.S (a non-profit group in Richmond). Significant subsidies were needed.

In the original proposal to build affordable housing units, the developer faced numerous hurdles and extra costs. The City of Richmond requires developers to include a portion of their build for the City's Affordable Housing Initiative or to pay a contribution to the Affordable Housing Fund.

The developer of this project mentioned that building affordable housing can be difficult because any time governments become involved, it increases red tape. As the developer put it: "it's easier to write a cheque than to go through months and months and months of negotiation and paperwork".

For this particular project, the developer mentioned that the process was long and laborious. For this particular project, this was not an area that the developers could afford to spend vast amounts of time on (as a many contentious clauses in the Housing Agreement and a few issues in the policy itself needed to be amended).

It took three years to reach a place where the developers are finally constructing affordable housing rental units. Many meetings, amendments and ultimately 13 versions of an Agreement went back and forth between their lawyers and the City's lawyers. The legal fees on this project were an order of magnitude higher than any other projects of this size.

Below is the breakdown of the costs to build the 22 affordable housing units under the original proposal. The municipal imposed fees, costs and related professional fees substantially added to the cost of this project.

Figure 18.0

CAMBIE ROAD DEVELOPMENT, CITY OF RICHMOND

DESCRIPTION:	Amount	Per Unit
Permit Fees		
Re-zoning	2,000	$91
Service Agreement Fees	9,000	$409
Development Fees (DCCs)	$466,000	$21,182
BCH Revisions	$25,000	$1,136
Building	$4,000	$182
Indoor Amenity Space	$32,000	$1,455
Alternative Solutions	$12,000	$545
Public Art Contribution	$11,473	$522
Community Engineering	$1,000	$45
Daycare Contribution	$11,473	$522
Total Permit Fees	$573,946	$26,088
Other Costs		
Airspace Parcel Subdivision	$125,000	$5,682
Legal Survey (ASP work)	$30,000	$1,364
Co-op Vehicles	$10,000	$455
Bus Passes for Residents	$2,500	$114
Legal Fees (ASP/HA)	$95,000	$4,318
Carrying Charges	$150,000	$6,818
Staff time	$100,000	$4,545
Roadworks	$25,000	$1,136
Traffic signalization	$14,000	$636
Geothermal upgrade	$132,000	$6,000
Total Costs	$683,000	$31,045
Professional Fees		
Architectural	$94,000	$4,273
Structural Engineering	$46,000	$2,091
Electrical Engineering	$11,000	$500
Mechanical	$16,000	$727
Fire Code Consultant	$15,000	$682
Geotechnical	$4,000	$182
Environment Consultant	$2,000	$91
Acoustical Engineer	$1,200	$55
Certified Professional	$1,400	$64
Interior Design	$1,100	$50
Accounting fees	$1,300	$59
Civil Engineering	$7,200	$327
Landscape Architecture	$43,000	$1,955
Envelope	$1,400	$64
Legal fees	$46,000	$2,091
Affordability Report	$4,000	$182
Traffic	$2,000	$91
Project consulting	$13,000	$591
Insurance	$16,000	$727
Elevator Consultant	$1,400	$64
Land Surveying	$65,000	$2,955
Total Professional Fees	$392,000	$17,818

City of North Vancouver

Below are examples of where housing costs come from in the City of North Vancouver (for various development types). This research was compiled from City staff.

Concrete High Rise

Concrete high-rise units currently available in the City sell for $480 to $900 psf (varies with finishes, unit size, situation in building and location).

The current selling price for a 900 sq. ft. unit based on $615 psf is $550,000. The price is composed of the following costs:

- Land $123/sq. ft. (20%);
- Hard costs (construction, parking, off-site works) $270/sq. ft. (44%);
- Soft costs (design, project management, financing, realty fees, legal fees, taxes, City fees and insurance) $135/sq. ft. (22%);
- City fees are approximately 13% of 'soft costs' or the equivalent of $18/sq. ft. This represents approximately 3% of total unit cost (Development Cost Charges at $4.59/sq. ft.; Metro Sewer fees at $807/unit; Building Permit fees ($8/sq. ft.+/-);
- Possibly Public Art fee and Community Amenity fee; and
- Developer's profit $87/sq. ft. (14%).

These additional costs (property purchase tax and maintenance fees) increase the unit price for a purchaser to $615,000.

Wood Frame Apartment

Wood frame apartment units currently selling in the City range from $480 to $550 psf (varies with finishes, unit size, situation in building and location).

The price for a 500 sq. ft. unit at $500 psf is $450,000, composed of:

- Land $140/sq. ft. (28%);
- Hard costs (construction, parking, off-site works) $185/sq. ft. (37%);
- Soft costs (design, project management, financing, realty fees, legal fees, taxes, City fees and insurance) $100/sq. ft. (20%);
- City fees are approximately 13% of Soft Costs or the equivalent of $18/sq. ft. This represents approximately 3% of total unit cost (Development Cost Charges at $4.59/sq. ft.; Metro Sewer fees at $807 per unit; Building Permit fees ($8/sq. ft.+/-);
- Public Art fee and possibly a Community Amenity fee; and
- Developer's profit $75/sq. ft. (15%).

These additional costs (property purchase tax and maintenance fees) increase the unit price for a purchaser to $508,000.

Attached Townhouse

The price for attached townhouses in the City ranges from $410 to $510 psf (varies with finishes, unit size, situation in building and location).

The sales price of a 1,300 sq. ft. unit at $450 psf is $585,000, composed of:

- Land $117/sq. ft. (26%);
- Hard costs (construction, parking, off-site works) $198/sq. ft. (44%);
- Soft costs (design, project management, financing, realty fees, legal fees, taxes, City fees and insurance) $68/sq. ft. (15%);
- City fees are approximately 13% of Soft Costs or the equivalent of $18/sq. ft. This represents approximately 3% of total unit cost (Development Cost Charges at $4.59/sq. ft.; Metro Sewer fees at $807 per unit; Building Permit fees ($8/sq. ft.+/-);
- Public Art fee and possibly a Community Amenity fee; and
- Developer's profit $67/sq. ft. (15%).

Additional costs (property purchase tax and maintenance fees) increase the unit price for a purchaser to $641,700.

Single Family/Duplex

The wide range of values is due to variations in lot and house size:

- Duplex price range: $850,000 - $1,000,000
- Single Family price range: $1,100,000 - $1,700,000

Property Purchase Taxes and the HST are the most significant add-on costs for purchasers, ranging from $30,000 and $100,000.

Most Economical Residential Form

The most cost effective residential form in the City, in order of average unit size, quality and market value is:

- Wood Frame Apartment: $450,000
- Concrete High Rise: $550,000
- Townhouse: $650,000
- Duplex: $800,000
- Single Family: $1,300,000

Townhouse, duplex and single family properties can be two to three times larger than apartment and townhouse properties. Generally speaking, hard costs are the largest proportion of costs, followed by land costs and soft costs, while municipal fees and charges are the lowest (ranging from 1% to 3% of unit price).

References

In addition to a range of information provided by developers, government staff and government websites, the following sources were used in this report:

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Tremain, Heather, *Vancouver's New Green Rezoning Policy: Costs and Implications*, 2010

Vancouver Sun, Bob Ransford, *Financing Growth in Vancouver: Why the current approach isn't working*, February 5, 2011

Vancouver Sun, Jeff Lee, *Red tape in BC boosts prices of some homes by $100,000*, September 28, 2010

Wood, Heather FIN:EX

From: Anne McMullin <AMcMullin@udi.org>
Sent: Friday, January 29, 2016 11:09 AM
To: Wood, Heather FIN:EX
Subject: Re: Urban Development Institute Representatives

Hi Heather
It wld be Neil, Brian McCauley, Jeff and I - and maybe Mark Lewis. Leslie is working on some dates for next week too.
Anne

On Jan 29, 2016, at 11:06 AM, Wood, Heather FIN:EX <Heather.Wood@gov.bc.ca> wrote:

> Hi Anne,
>
> Thank you very much for the quick call last week. Will you be able to provide me with the confirmed names of the representatives who can provide assistance and advice to us with respect to the proper mechanism to use to implement the new project we have been tasked with in the Ministry? If possible, I would like to start thinking about possible meeting times next week in Vancouver, either at Ministry offices in Vancouver or, if possible, at UDI's office in Vancouver.
>
> Thank you again,
> Heather Wood

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Menzies, Brian FIN:EX

From: Anne McMullin <AMcMullin@udi.org>
Sent: Thursday, July 28, 2016 12:39 PM
To: Menzies, Brian FIN:EX
Subject: Obstacles to supply

Brian – this is what we're up against.. Geoff Meggs: "But we're not going to sacrifice the quality of the housing, its environmental sustainability, its accessibility ...These are good rules, we make no apology for them."
http://www.cbc.ca/news/canada/british-columbia/vancouver-permit-overload-backlog-1.3697066

s.13

Whatever we can do to assist.
I know it's been a tough week and I really appreciate all your hard work in answering our questions.
Thank you,
Anne

Anne McMullin
President and Chief Executive Officer
Urban Development Institute
200-602 W. Hastings St.
Vancouver, BC
V6B 1P2

main: 604 669 9585
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Page 079

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Menzies, Brian FIN:EX

From:	Anne McMullin <AMcMullin@udi.org>
Sent:	Wednesday, July 27, 2016 10:31 AM
To:	Menzies, Brian FIN:EX
Subject:	Fwd: Anne can you get this to Brian Menzies.
Attachments:	ITC letter to Premier Clark - New Foreign Buyers Tax.docx; ATT00001.txt

Hi Brian - for your information.
Anne
>
>

Menzies, Brian FIN:EX

From: Anne McMullin <AMcMullin@udi.org>
Sent: Monday, July 4, 2016 1:48 PM
To: Menzies, Brian FIN:EX
Subject: How Anti-Growth Sentiment, Reflected in Zoning Laws, Thwarts Equality - NYTimes.com (via Hootsuite for iPhone)

Brian - a good read.
Anne

>How Anti-Growth Sentiment, Reflected in Zoning Laws, Thwarts Equality -
>NYTimes.com https://t.co/sv8MMyDHIs
>
>Sent from Hootsuite for iPhone
>http://ow.ly/7trFE
>
>
>Sent from my iPhone

From:	Anne McMullin <AMcMullin@udi.org>
Sent:	Tuesday, June 21, 2016 11:13 PM
To:	Menzies, Brian FIN:EX
Subject:	Fwd: One other measure

Jeff has a good suggestion
Anne

Begin forwarded message:

> **From:** Jeff Fisher <jfisher@udi.org>
> **Date:** June 21, 2016 at 11:11:45 PM PDT
> **To:** Anne McMullin <AMcMullin@udi.org>
> **Subject: One other measure**

s.13

Jeff Fisher, M.PL., CAE, MCIP, RPP
Vice-President and Senior Policy Advisor
Urban Development Institute
Suite 200, 602 West Hastings Street
Vancouver BC V6B 1P2
Tel 604 661-3031|**Fax** 604 689-8691
Cell 604 340-8019 |**E-mail** jfisher@udi.org
Web udi.bc.ca

Menzies, Brian FIN:EX

From:	Anne McMullin <AMcMullin@udi.org>
Sent:	Tuesday, June 21, 2016 4:09 PM
To:	Menzies, Brian FIN:EX
Subject:	FW: Metro Vancouver Housing Starts vs. Sales

Brian – this is for Metro Vancouver.

Year	Starts (all product types)	Starts (Detached)	Sales (all product types)	Sales (Detached)
2010	15,217	4,533	30,595	
2011	17,867	3,686	32,390	
2012	19,027	4,516	25,032	
2013	18,696	4,004	28,524	11,636
2014	19,212	4,374	33,116	13,993
2015	20,863	4,622	42,326	17,275

Sources:

Metro Vancouver/CHMC: http://www.metrovancouver.org/services/regional-planning/PlanningPublications/HousingStarts-SingleDetached.pdf

REBGV: http://www.rebgv.org/monthly-reports?month=December&year=2010

Housing Starts in Vancouver

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
3,534	4,087	4,670	1,576	4,075	3,830	5,498	6,071	4,648	4,616

Source:City of Vancouver

From: Anne McMullin <AMcMullin@udi.org>
Sent: Tuesday, June 21, 2016 3:21 PM
To: Menzies, Brian FIN:EX
Subject: incentives

s.13

A little side note - 33% of the City of Vancouver's capital budget over the next three years comes from CACs from re-zoning. If the market falls off, the City loses that money too.

Anne

Menzies, Brian FIN:EX

From: Anne McMullin <AMcMullin@udi.org>
Sent: Tuesday, June 21, 2016 2:10 PM
To: Menzies, Brian FIN:EX
Subject: FW: Hong Kong and supply
Attachments: Hong Kong Article.pdf

Here is the article I mentioned about the supply coming on stream in Hong Kong.

Menzies, Brian FIN:EX

From: Anne McMullin <AMcMullin@udi.org>
Sent: Tuesday, June 21, 2016 2:09 PM
To: Menzies, Brian FIN:EX
Subject: Supply side article
Attachments: image002.png

This is s a good article too.
anne

This was an OpEd in todays paper....good discussion about the need for supply

Rosenberg: Let's focus on the supply side in addressing Canada's housing risks

SUBSCRIBERS ONLY
DAVID ROSENBERG
Special to The Globe and Mail
Published Wednesday, Jun. 08, 2016 4:24PM EDT
Last updated Thursday, Jun. 09, 2016 8:50AM EDT

? 18 Comments

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David Rosenberg is chief economist with Gluskin Sheff + Associates Inc. and author of the daily economic newsletter Breakfast with Dave

Page 091

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DUPLICATE

From:	Anne McMullin <AMcMullin@udi.org>
Sent:	Monday, March 10, 2014 9:07 PM
To:	Menzies, Brian FIN:EX
Cc:	Jeff Fisher; Cadario, Michele PREM:EX
Subject:	Re: [Junk released by Policy action] REDMA

Yes - great news indeed.
Anne

On Mar 10, 2014, at 8:33 PM, "Menzies, Brian FIN:EX" <Brian.Menzies@gov.bc.ca> wrote:

> Anne and Jeff
> I am sure you saw this today in the House but here is the legislation:
>
> http://www.leg.bc.ca/40th2nd/1st_read/gov17-1.htm
>
> And here is the section in the News Release on this item.
>
> **Real Estate Development Marketing Act** - The proposed amendments to the act bring clarity to the scope of purchasers' remedies and certainty to the enforceability of purchasers' contracts. The proposed changes are designed to increase industry efficiency and provide purchasers with a more readable disclosure statement.
>
> http://www.newsroom.gov.bc.ca/2014/03/miscellaneous-statutes-bill-introduced-3.html
>
> Letters to the regulator have also gone out.
>
> Thanks again for all your work on this!
>
> Brian Menzies, MA
> Chief of Staff to
> The Honourable, Michael de Jong, QC
> Minister of Finance and House Leader
> Office 250-952-7627
> Cell 250-882-0679

URBAN DEVELOPMENT INSTITUTE – PACIFIC REGION
#200 – 602 West Hastings Street
Vancouver, British Columbia V6B 1P2 Canada
T. 604.669.9585 F. 604.689.8691
www.udi.bc.ca

July 27, 2016

The Honourable Michael de Jong
Minister of Finance and Government House Leader
PO Box 9048
Victoria, BC V8W 9E2

Dear Minister de Jong,

Re: Bill 28, Miscellaneous Statutes (Housing Priority Initiatives) Amendment Act, 2016

We are again writing to you regarding our grave concerns about the Government's apparent refusal to grandfather pre-sales under the new Bill 28.

As we have explained to you in our letters and emails, we believe not grandfathering pre-sales is wrong on so many fronts.

If the Province is unprepared to allow grandfathering of pre-sale contracts that are already in place, some for several years, we fear there may be a potential legal issue that needs to be addressed through amendments to the *Real Estate Development Marketing Act (REDMA).*

To manage the expected fall out from many buyers we are writing you to ask that if you are not considering an exemption you MUST ensure that any legislation drafted for this new tax ensures that buyers will not be able to use *REDMA* in the courts to terminate their pre-sale agreements.

Within *REDMA,* Policy Statement 1 requires that a disclosure statement must "disclose plainly all material facts" and that the developer must not leave out or misrepresent information that would affect or could reasonably be expected to affect the value, price or use of the home or the development.

REDMA defines a "material fact" as follows:

> *"**material fact**" means, in relation to a development unit or development property, any of the following:*
>
> *(a) a fact, or a proposal to do something, that affects, or could reasonably be expected to affect, the **value**, price, or use of the development unit or development property; ....(emphasis added, and the other parts of the definition don't apply to this discussion)*

To avoid potential litigation regarding whether the new tax affects value, we request that the government add a provision to the language of the new bill or subsequent regulation clarifying that the new tax cannot be used by home buyers, whether foreign or resident, to avoid completion of contracts already entered into.

If you have any questions regarding this request, please do not hesitate to contact me.

Yours sincerely,

Anne McMullin
President and CEO

>
>
>
> Sent from my iPhone

ITC
Quality Counts

July 27, 2016

Premier Christy Clark
West Annex, Parliament Buildings
Victoria, BC V8V 1X4

Re: New Foreign Buyers Tax

Dear Premier Clark,

We are writing to you to express our surprise and concern regarding the introduction of the 15% additional property transfer tax on foreign purchasers.

ITC Construction Group (ITC) has been building residential developments since inception in 1983; we have built 185 multi-unit projects throughout Western Canada. We currently have 20 projects under construction and employ upwards of 2,500 people on our jobsites.

ITC has been a big supporter of you and the BC Liberals through our subsidiary companies Tech Projects and Intertech Construction Managers.

The imposition of this Foreign Buyers Tax is a real threat to the state of development in the Greater Vancouver Area and thus a threat to employment within the construction industry. The construction industry is one of BC's largest employers and the potential downsizing of employment opportunities will make it that much harder for BC residents to purchase homes – this is the exact opposite outcome that this legislation seeks to achieve.

We ask you to review the legislation and seriously consider, at a minimum, the inclusion of a grandfather clause for pre-sales. An abrupt change to the pre-sales agreements communicates to the world that our markets are not as safe and stable as previously believed. Honouring these pre-sales agreements ensures that current construction developments remain secure and will prevent a negative shock to the current economy.

Sincerely
ITC Construction Group

Doug MacFarlane
President & CEO

Peter Rezansoff
Chairman of the Board of Directors

Corporate Office
Suite 800 – 564 Beatty Street, Vancouver, BC V6B 2L3
Tel: (604) 685-0111 Fax: (604) 685-0112

BUSINESS INSIDER

Hong Kong's 'epic' housing bubble is bursting

WOLF RICHTER, WOLF STREET
14H

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DUPLICATE

Menzies, Brian FIN:EX

From: Menzies, Brian FIN:EX
Sent: Wednesday, July 27, 2016 5:18 PM
To: 'Anne McMullin'
Cc: 'jfisher@udi.org'
Subject: FW: CKNW: Clark - foreign buyers tax

CKNW (Vancouver)

27-Jul-2016 12:02

Menzies, Brian FIN:EX

From: Menzies, Brian FIN:EX
Sent: Monday, June 20, 2016 8:36 PM
To: Anne McMullin
Subject: Re: UDI LETTER ON HOUSING AFFORDABILITY SOLUTIONS IN METRO VANCOUVER

Yes Ann - I'm sorry can you call me at 8:00 am on my cell please.

Brian Menzies, MA
Chief of Staff to
The Honourable Michael de Jong
Minister of Finance & House Leader
Government of British Columbia
Canada
Cell s.17

On Jun 20, 2016, at 8:33 PM, Anne McMullin <AMcMullin@udi.org> wrote:

Call tomorrow morning?

On Jun 20, 2016, at 6:13 PM, Menzies, Brian FIN:EX <Brian.Menzies@gov.bc.ca> wrote:

Yes I'll call you

Brian Menzies, MA
Chief of Staff to
The Honourable Michael de Jong
Minister of Finance & House Leader
Government of British Columbia
Canada
Cell s.17

On Jun 20, 2016, at 4:55 PM, Anne McMullin <AMcMullin@udi.org<mailto:AMcMullin@udi.org>> wrote:

Yes - that wld be good. Do you want to call me ?
7789380408

On Jun 20, 2016, at 3:14 PM, Menzies, Brian FIN:EX <Brian.Menzies@gov.bc.ca<mailto:Brian.Menzies@gov.bc.ca>> wrote:

Anne s.13 could we have a call this evening - say 7 pm?

Brian Menzies, MA
Chief of Staff to
The Honourable Michael de Jong
Minister of Finance & House Leader
Government of British Columbia
Canada
Cell s.17

On Jun 20, 2016, at 2:34 PM, Anne McMullin <AMcMullin@udi.org<mailto:AMcMullin@udi.org><mailto:AMcMullin@udi.org>> wrote:

Good Afternoon Premier Clark

Attached please find a letter from the Urban Development Institute (UDI) regarding Housing Affordability Solutions in Metro Vancouver.

Regards

Anne

Anne McMullin
President and Chief Executive Officer
Urban Development Institute
200-602 W. Hastings St.
Vancouver, BC
V6B 1P2

main: 604 669 9585
direct: 604 661 3030
mobile: 778 938 0408
email:
amcmullin@udi.org<mailto:amcmullin@udi.org><mailto:amcmullin@udi.org>

<UDI-1inch[4].png>

<UDI Ltr Premier Clark June 20 2016 Housing Affordability Metro Vancouver.pdf>

Menzies, Brian FIN:EX

From:	Menzies, Brian FIN:EX
Sent:	Monday, June 20, 2016 6:14 PM
To:	Anne McMullin
Subject:	Re: UDI LETTER ON HOUSING AFFORDABILITY SOLUTIONS IN METRO VANCOUVER

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President and Chief Executive Officer
Urban Development Institute
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main: 604 669 9585
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mobile: 778 938 0408
email: amcmullin@udi.org<mailto:amcmullin@udi.org>

<UDI-1inch[4].png>

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> President and Chief Executive Officer
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> main: 604 669 9585
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> <UDI-1inch[4].png>

<UDI Ltr Premier Clark June 20 2016 Housing Affordability Metro Vancouver.pdf>