



**Urban Development Institute  
Pacific Region**

Presentation to:

**Pre-Budget Statement to the Select Standing Committee on  
Finance and Government Services**

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Presented by:

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## **INTRODUCTION**

The Urban Development Institute – Pacific Region is pleased to provide The Standing Committee on Finance and Government Services with our views on what should be the Government of British Columbia's priorities for 2005/06.

We recognize that the provincial government has had to make some very difficult and often painful decisions. However, having made them, we as a province are in a better position economically than we have been for some time, and our government is now in the enviable situation of having to decide what to do with a budget surplus.

Many other organizations and associations will be submitting their requests for increased or new funding for government-sponsored initiatives.

### ***UDI is not.***

What our industry needs to be successful is an economic climate that attracts investment and creates employment opportunities, coupled with a regulatory environment characterized by fair, equitable and "smart" legislative acts and regulations. This can best be achieved by government "staying the course" of the past four years.

We recommend that the Province's number one priority be to continue its efforts to improve our economic climate. A strong and growing economy will best enable us to provide the health care and education all British Columbians desire. The government's economic performance and fiscal restraint are paying off. There are many options from which the government may choose to take advantage of a surplus, ranging from paying down the debt, reducing personal taxes and sales taxes, to increasing program spending. In order of priority, UDI recommends that these surplus funds be targeted for health care and education, and we support a

reduction of sales tax to 7%. As the BC economy continues to recover, more and more of the surplus can then be allocated to debt reduction.

UDI would also like to take this opportunity to commend the provincial government for its important role in supporting two major initiatives: the Richmond-Airport-Vancouver (RAV) line and the bid to secure the 2010 Winter Olympic and Paralympic Games.

The RAV line – the biggest infrastructure project in the Lower Mainland’s history – is an important step in helping to resolve the growing transportation problem in the province’s most populated area. Development cannot be truly sustainable without access to efficient and cost-effective public transportation. We believe the RAV line and other initiatives planned by TransLink and the Greater Vancouver Regional District, with support from the Province, will result in significant improvements for us all.

The 2010 Winter Olympic Games, as we are already seeing, are creating a sense of excitement and optimism about the province’s future that is matched only by the tremendous “building boom” that is taking place both directly and indirectly as a result of the Games.

## **URBAN DEVELOPMENT INSTITUTE – PACIFIC REGION**

The Urban Development Institute represents the largest cross-section of real estate developers and related professionals in British Columbia. Our 400 members include thousands of individuals involved in all facets of land development and planning including: developers, property managers, financial lenders, lawyers, engineers, planners, architects, appraisers, and real estate professionals.

As an industry, we contribute more than \$16 billion a year to the provincial economy, and are responsible for creating more than 200,000 jobs for British Columbians.

Established in 1972, UDI-Pacific Region serves as the public voice of the real estate development industry, and is dedicated to improving communications with government, and improving both housing and job opportunities for all British Columbians.

### **Members Confidence Index**

In late September 2004, we conducted an informal survey of our developer members to assess their confidence in the current provincial government and its actions over the last four years in office. The results are very good indeed.

There was an overwhelming vote of confidence in the direction British Columbia is heading, with 94% of respondents giving government a "four out of five" or better.

The majority of members said their business had improved somewhat or significantly as a result of the actions and policies of the current government, with one developer noting, "the change could be described as 180 degrees."

When asked, *"Has any government action (or lack of action) or policy hindered or negatively impacted your business,"* regulations and red tape remained the dominant theme. Respondents noted that the government's deregulation initiatives were welcomed, but more effort to reduce red tape was needed to continue to improve the conditions under which our industry operates. Red tape, in this case, includes government approval processes, lack of co-ordination between various government agencies at the provincial, local and federal level, in addition to a myriad of provincial legislation, regulation and policies.

Close behind the need to continue the reduction of red tape is the need to address more globally the issue of the skilled trades shortage. Many in the industry predict this will be the greatest challenge to face the industry in the coming decade. Respondents believe there is an opportunity for the provincial government to

collaborate more effectively and more broadly with industry groups, educational institutions and communities to address funding and opportunities for trades/skilled worker training.

The third major area of concern is related to the Community Charter. Specifically, respondents are uncomfortable with the level of new powers granted to local governments without the offsetting protections for individuals and businesses that are in place in other jurisdictions where municipalities have similar broad powers.

When asked, *“What has been the most significant change you have noticed in your business,”* UDI members noted increasing costs and the growing shortage of skilled workers. On the positive side, however, the majority of respondents gave the provincial government full credit for the dramatic improvement in investor and consumer confidence.

Similarly, when asked *“What has been the most significant change in you have noticed in the Province,”* members echoed comments of confidence, optimism, the ability to attract investments, and economic recovery. One respondent noted that you could “feel the positive change in the air”.

When asked to provide recommendations as to *“How could government improve the business climate in British Columbia,”* the message was loud and clear: **“stay the course”** by continuing to reduce taxes, debt and regulations while maintaining fiscally responsible choices and managing costs. “Change” recommendations included providing faster and easier access to government, improving government communications in order to gain better acceptance by the public, and keeping the provincial debt at a manageable level.

## **A HEALTHY REAL ESTATE DEVELOPMENT INDUSTRY**

### **Residential housing market**

A return of consumer confidence in the BC economy is reflected strongly in the residential housing market, where home sales topped \$2 billion for the seventh

consecutive month in August 2004. According to the British Columbia Real Estate Association (BCREA), "year-to-date sales reached 68,753 units, worth \$19.7 billion, representing a 22.54% improvement in dollar volume and an 8.47% increase in unit sales over the first eight months of 2003."

The Canadian Mortgage and Housing Corporation (CMHC) reported in August of this year that "housing starts in British Columbia are expected to increase by 21.1% to 31,700 units in 2004, the strongest growth among all provinces. BC's housing market reflects improved economic growth, which will fuel employment and income gains. Starts are expected to increase to 32,400 units in 2005 making the Province the only one where starts are forecast to increase next year."

This means that British Columbia has finally returned to the historic average of 30,000 new homes per year. During the 1990s, the annual average was approximately one-third that figure. The slight downturn we have seen very recently should be seen as a normalization of what has been a "red hot market" particularly in multi-family [condominiums] in the Province's urban areas. This "return to normal" is echoed in building permit values which declined by 14% to \$403 million, their lowest level this year.

## **Industrial Commercial**

The renewed confidence in the BC economy is also reflected in the Greater Vancouver industrial/commercial sector, which now has the lowest national vacancy rate at 2.06% with continued strong demand. According to Royal LePage's Industrial Market Overview for the second quarter of 2004, "the highest levels of positive absorption have taken place in markets where new construction has been most prevalent. Surrey, Langley, Richmond and Coquitlam all reported positive results in large part due to new completions."

According to Statistics Canada, British Columbia recorded Canada's strongest gains in non-residential permits in August 2004, mainly due to higher construction intentions in the trade and services category.

However, the National Association of Industrial and Office Properties (NAIOP) noted in its Fall 2004 Municipal Report Card that "with some noted exceptions, municipal development costs continue to rise with an average increase of 21% amongst those [Lower Mainland municipalities] who increased fees; however, for a number of municipalities the percentage increase is far higher – over 80% in one case." Pitt Meadows had the greatest decrease at 66%, while Vancouver increased development costs by 82%.

NAIOP also noted that, "municipalities are eager to take advantage of the various means at their disposal to implement cost recovery, in particular increasing the use of landscaping and street improvement levies." This comment reiterates UDI's concerns regarding implementation of the Community Charter, as outlined later in this document.

## **WHAT NEEDS TO BE DONE**

### **Our biggest challenge: filling good paying jobs**

A discussion about the health of the residential, industrial and commercial development sectors would be incomplete without addressing the growing skills shortage. The shortage also represents a tremendous opportunity to attract young people to good paying jobs and interesting career paths in the construction/development industry, and we are anxious to collaborate with government on how this can best be achieved.

British Columbia is embarking on a \$16 billion building boom. At the same time, construction costs are rapidly escalating for reasons ranging from increased demand to a worldwide shortage of scrap metal.

The challenge for UDI members is the impact this will have on their ability to develop residential, industrial and commercial projects when the larger infrastructure projects are absorbing a considerable portion of the available skilled labour in the province.

The Canadian Home Builders' Association of British Columbia (CHBA BC) sponsored several questions on the skills shortage and availability of qualified workers, noting that 60% of BC's residential builders are already experiencing difficulties in this regard.

The skills or occupations that are the most difficult to find are: Framers/Formers (39%); Carpenters (36%); Drywallers (13%); Plumbers (12%) and Electricians (7%).<sup>1</sup>

UDI believes that a collaborative approach involving government, educational institutions and industry is the only effective way of addressing this issue. We encourage our government, through its ministries of education, advanced education and the Industry Training Authority, to bring together, consult, and work with a broad cross-section of stakeholders. UDI would appreciate an opportunity to work more closely with these groups. No one association or special interest group has all the answers, but together we can determine the best solutions for British Columbians now and in the future.

In past pre-budget submissions, UDI has recommended that the Property Transfer Tax (PTT) be eliminated or reduced for the benefit of both new homebuyers and new and expanding BC businesses. However, until such time as this is possible, we believe the monies collected from the PTT can be targeted to skilled trades training as previously noted. We are willing to explore how our industry could help leverage these monies through, for example, the creation of a special industry funding program.

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<sup>1</sup> Source: Building BC, published by the Homeowner Protection Office.

## **Regulatory Reform**

UDI and its members applaud the government's efforts to reduce cumbersome and often redundant legislative acts and regulations. However, as there are still some 80 legislative acts and regulations that impact our industry, we urge government to continue its goal of regulatory reform.

We believe that this can best be achieved by reviewing the regulations on a sectoral basis, and working with industry to identify those that need revision. It is important that these regulations undergo a cost/benefit analysis, and that we move toward ensuring "smart" regulations that have a real purpose.

## **EXAMPLES OF WHAT HAS WORKED**

### **Riparian Area Regulation Consultative Process**

UDI is pleased to have participated in reviews set up by the Ministry of Water, Land and Air Protection regarding upcoming changes in the Fisheries Protection Act and associated regulations. Protecting our environment is important to all British Columbians. Using modern technology and science to their best advantage, ensuring specific environment regulations fit into the macro environmental and sustainable objectives and encouraging the use of best practices by individuals and businesses are fundamental.

UDI congratulates the provincial government, through the Ministry of Water, Land and Air Protection, for developing this new regulation in collaboration with the federal Department of Fisheries and Oceans and the Union of British Columbian Municipalities. This is a good example of all levels of government working together to protect the environment while developing a regulation and guidelines that assist residential, commercial and industrial developers to better understand expectations

when working near protected riparian areas. We now need to monitor the application of the regulation to ensure it achieves its established goals.

The creation of the new Riparian Areas Regulation was a difficult task with disparate groups voicing strong opinions. However, the provincial government had made monumental progress in achieving consensus on how to best protect fish habitat while streamlining approval processes. This is an example of true regulatory reform with “smart regulation” being the result.

### **Real Estate Act Reform**

UDI has received and responded to the consultation draft of the Real Estate Service Act (RESA), replacing Part 1 of the current Real Estate Act. We believe that the RESA and its companion statute, the Real Estate Development Marketing Act (REDMA), will benefit both the industry and our customers, and we applaud government’s efforts to reduce the regulatory burden while ensuring greater levels of accountability, consumer confidence, development mobility and regulatory flexibility.

### **OUTSTANDING CONCERNS**

#### **Community Charter**

We support giving municipalities more flexibility and broad powers, but at the same time, residents and business owners need assurance that these new powers will not go unchecked.

At a time when construction costs are rising at an alarming rate, competition for the shrinking pool of skilled labour is increasing, and expectations for a continued economic recovery are running at an all time high, we cannot risk the new-found confidence of the development community and its customers by a sense of

uncertainty about what municipalities will implement, particularly when it comes to land uses and property tax.

We believe the best way to address business concerns is to amend the Charter to include some basic protections for businesses and individuals. The Business Coalition on the Community Charter has made a number of suggestions in this regard and has the full support of our organization.

We further believe that we are all partners in community building. As such, it is important that business, the province and local governments meet to discuss how we can best create vibrant, economically healthy communities. We believe there is an opportunity for the provincial government to take leadership by creating a roundtable with business and local government to pursue new ideas and opportunities for working together.

### **Taxation, Development Cost Charges and Fees**

In a time when UDI members are encouraged by the strong housing and non-housing markets, we are also concerned about the increasing cost of doing business in British Columbia.

Our industry continues to face significant cost increases for labour, land and construction materials, and this can only be expected to escalate as the laws of supply and demand become increasingly evident during British Columbia's upcoming building boom.

UDI is also concerned about the implications of responsibilities and costs being off-loaded from the provincial to municipal governments. As mentioned earlier, we have seen municipal development costs increase by an average of 21%, with the greatest increases in Vancouver, Port Moody and Richmond (82%, 37% and 28% respectively).

## **SUMMARY**

UDI and its members believe the primary goal of government must be to create an economic environment that will attract investment. We are reaping the benefits of government's promises to deregulate and stabilize the economy: it's working and we are benefiting. We believe this government is on the right track, and we urge you to "stay the course."

The budget surplus is welcome news for all British Columbians, but we must remain cautious about the future and invest it wisely. Our recommendation is that it be invested in those social programs that are near and dear to us all: health care and education.

The development industry does not need any specific government programs to stimulate our industry. We thrive when the economy is thriving. But we do need government to continue to deregulate and reduce red tape. Government policies in this regard are working. We also need to ensure that the provincial government does not "download" any of these regulations to other levels of government (through the Community Charter, for example) that will create new and more cumbersome regulations.

We support calls for a targeted tax reduction by rolling back the provincial sales tax to 7% or lower. We also believe there is an opportunity to consider and extend the Research & Development tax credit. While this is not specific to our industry, it will help attract new investment to the province.

Just as the provincial government has a commitment to ensuring a well-educated, healthy population that want to live, work and invest in British Columbia, so does our industry have a commitment to creating opportunities for our young people to take on well-paid jobs in our exciting industry. We reiterate our interest in working with this government to address the skills shortage in order to attract and keep

highly trained and talented construction and development industry people working in British Columbia.

### **Key recommendations**

1. Invest the budget surplus in health care and education.
2. Collaborate with all stakeholders to resolve the skills shortage and leverage existing funds (Property Tax Transfer revenue/matching funds from industry) to maximize results.
3. Roll back the provincial sales tax to 7%.
4. Continue a program of deregulation and "smart" regulations.
5. Protect residents and business owners from overly-zealous municipalities exercising new powers under the Community Charter.
6. Develop common sense, "made-in-BC" sustainability solutions.
7. STAY THE COURSE – it is working!

Respectfully submitted,  
THE URBAN DEVELOPMENT INSTITUTE PACIFIC REGION

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