

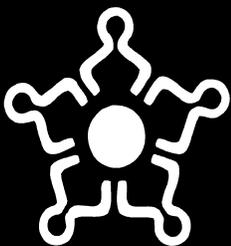
Submission to the Rental Housing Task Force

July 6, 2018



Submitted by: **B.C. Government and Service Employees' Union**

4911 Canada Way, Burnaby, BC V5G 3W3 Tel (604) 291-9611 www.bcgeu.ca



Introduction

On behalf of B.C. Government and Service Employees' Union (BCGEU) members, we appreciate this opportunity to provide this submission to the provincial government's Rental Housing Task Force.

The BCGEU represents more than 77,000 workers in various sectors and occupations in more than 550 bargaining units throughout British Columbia. Our diverse membership includes direct government employees who protect children and families, provide income assistance to vulnerable individuals, fight forest fires, deliver care to people with mental health issues and addictions, administer B.C.'s public system of liquor control, licensing and distribution, staff correctional facilities and the courts, and provide technical, administrative and clerical services. More than 60 BCGEU members are employed at the B.C. Residential Tenancy Branch.

Access to stable, affordable housing has become a central concern for BCGEU members. B.C. has become the most expensive province to buy or rent a home in Canada, while low rental vacancy rates in many communities have created desperate situations for many renters, and are leaving tenants vulnerable to unfair practices and price gouging by landlords.

At the BCGEU's 50th Constitutional Convention in 2017, members passed multiple resolutions calling for action on housing affordability. With wages lagging behind fast rising housing costs, the BCGEU decided to launch a policy campaign aimed at stabilizing housing prices and creating more affordable rental units. Full details of that campaign can be found at: <https://www.affordablebc.ca/>

In the current context, where extraordinarily high property prices in parts of the province have pushed home ownership outside the realm of affordability for many residents, an expanded and better-protected supply of rental housing is the best hope for stable and affordable housing. With that perspective in mind, this submission will offer recommendations grouped around three core policy directions required to improve life for tenants in B.C.:

1. Resourcing and reforming the Residential Tenancy Branch
2. Reforming residential tenancy law and regulations
3. Increasing the supply of affordable rental housing

1. Resourcing and reforming the Residential Tenancy Branch

The province's restoration of \$7 million in funding (over three years) to the Residential Tenancy Branch (RTB) in the 2017 Budget Update marked a positive change of direction after years of cuts and underfunding under BC Liberal governments.

However, consultations with BCGEU members in the RTB suggest more staff and resources are still required to increase the agency's effectiveness. Issues highlighted by RTB staff include:

- Lengthy telephone wait times for people trying to access RTB services. Call volumes have risen significantly over the past two years.

- Lengthy wait times to get a hearing on time sensitive issues, such as evictions or the return of security deposits.
- Lack of RTB walk-in locations and heavy reliance on telephone service. Where walk-ins are available, wait times are often very long.
- An online file system that can be difficult to use for marginalized people or those lacking computer skills.
- Insufficient numbers of clerical and administrative staff to deal with the volume of cases.
- High volume and stress has contributed to employee burnout and low morale.
- Insufficient numbers of arbitrators, which is creating delays and problems for landlords and tenants involved in disputes.
- Insufficient staff to carry out inspections and investigate violations, particularly in regards to repeat violations of maintenance responsibilities.
- Lack of translation capacity for dealing with non-English speaking tenants and landlords.

RTB workers have also noted regulatory and structural problems, including:

- Difficulty enforcing repair orders
- Lengthy and difficult RTB processes, both for marginalized groups as tenants and for small "mom and pop" landlords.
- Problems with consistency in RTB decision making processes, leading to high rates of decisions that are overturned under judicial review.
- Fees that act as barriers to low income tenants.
- Infrequent use of RTB's power to assess penalties.

2. Reforming residential tenancy law and regulations

Since taking office, the current government has taken some important steps in improving rights and protections for renters, and some of these initiatives – most notably closing the fixed term lease loophole - are in line with recommendations made by the BCGEU in our 2017 *Affordable BC* report.

However, there is still more that can be done, including:

- ***Vacancy control:*** "Vacancy control" is a form of rent control that ties allowable rent increases to a housing unit, rather than to individual tenants. The current model of rent control incentivizes landlords to find excuses to evict long-term tenants in order to seek higher rents in tight rental markets. Tying rent control to units would remove this incentive and likely decrease the number of "renovictions" and other types of bad-faith evictions.
- ***Limit maximum rent increases to inflation only:*** Current regulations allow for rent increases of inflation plus two per cent. Under most circumstances, there is no reason for rent increases to exceed the general rate of inflation. Other provinces, including Manitoba, Ontario and Nova Scotia, already limit rent increases to the rate of inflation only.
- ***Enforce laws against unfair and bad faith evictions:*** Unscrupulous landlords are relying on weak enforcement of tenant protection to unnecessarily evict tenants during renovations (and in many cases are using minor renovations as an excuse to permanently evict tenants and seek

new ones at a higher rent). In addition, some landlords have used false claims that they or a family member will be moving into a rental unit as means of forcing out existing tenants in order to seek higher rents from new ones. Better resourcing of the Residential Tenancy Branch to follow up on complaints and enforce regulations could help make legislated tenant protections more meaningful.

- ***Empowering the Residential Tenancy Branch:*** Tenancy branches in many other jurisdictions are better empowered to enforce their relevant tenancy laws and policies. Manitoba's RTB, for example, can intervene to insure the return of security deposits and even redirect rent payments to the Branch so it can hire contractors to carry out required work on rental units when landlords fail to comply with service and repair orders. The B.C. government should develop and pass legislation that allows more effective and proactive enforcement in this province.

3. Increasing the supply of affordable rental housing

An increased supply of affordable public and non-market rental housing will be important not only in and of itself, but also in reducing inflationary pressures in the rental housing market and empowering tenants in their relationships with landlords. Low vacancy rates can discourage tenants from exercising their legal rights or otherwise "rocking the boat," out of fear of having to re-enter a difficult rental market or even potentially ending up homeless. This can help enable poor or even illegal behavior by unscrupulous landlords. A bigger supply of affordable housing gives tenants more leverage with landlords and options for exiting bad rental housing situations.

The B.C. NDP government is signalling shifts in the right direction on rental housing supply expansion, most notably pledges in the *Homes for B.C.* plan to build and protect affordable rental units, and also recent legislation that gives local governments the power to zone for rental housing construction.

In the context of the ongoing housing crisis in many B.C. communities, we urge the government to accelerate delivery on these commitments to fund and build new public, co-op, social and non-market housing. To address affordability over the longer term, we believe the government will need to go beyond these initial commitments and further scale up investment in affordable housing, including provision of more funding and provincially owned land for affordable rental housing development.

The province should also consider additional measures to improve rental housing affordability and supply, including:

Allowing local governments to mandate inclusionary zoning in all new developments

A relatively simple but effective change the province could make is to allow municipalities to set mandatory inclusionary zoning requirements. Inclusionary housing refers to any programs or policies that require or incentivize the creation of affordable housing when new development occurs, including impact or linkage fees that generate revenue for affordable housing.

While B.C. local governments have had some success negotiating inclusionary housing agreements on a case-by-case basis with developers using incentives, other jurisdictions have found that voluntary incentives are not sufficient and have moved to mandatory requirements for percentages of affordable and inclusive housing in all new residential development.

A 2017 study found that inclusionary housing programs in the United States have so far directly created a more than 170,000 units of affordable housing, plus an additional \$1.7 billion worth of "in lieu" fees for use in building more affordable housing.¹ The majority of U.S. programs are based on mandatory contributions of affordable housing units (or equivalent value fees in lieu). New York City, for example, requires that a minimum of 10 per cent of new housing units be affordable at an average of 40 per cent of an area's median income, and also includes affordability formulas to ensure units are built for middle income earners. Affordability requirements on units mandated through the New York City policy are permanent – rents cannot be raised above affordable levels in the future. Importantly, "affordability" in these programs is typically defined in relation to area average income levels rather than tied to existing, already unaffordable market rents.

Mandatory inclusive zoning legislation has already been passed in Ontario and Alberta, and there is no reason the provincial government should not enable it for B.C. communities.²

Federal and provincial tax incentives for rental housing construction and renewal

Much of B.C.'s existing market rental housing stock was built with the help of various federal and provincial tax exemptions and incentives available in the 1950s through to the early 1980s. The province's recent decision to mirror municipal revitalization property tax exemptions for eligible purpose-built rental housing is a good step in returning to this approach, but more can be done, including:

- Waiving the school tax for new rental housing and for approved rental renovations that help preserve and extend the life of existing affordable stock.
- Lobbying the federal government for tax and financing incentives for affordable rental housing construction, including GST exemptions on construction materials and services and "rollover" provisions that provide owners of rental buildings a capital gains tax exemption if they re-invest their profits in rental housing within the calendar year.

Close loopholes that benefit property speculators

The province should adjust provincial property class taxes and exemptions to penalize and discourage speculative holdings of undeveloped land, hoarding and deferral of development.

¹ See Thaden and Wang, *Inclusionary Housing in the United States*, Lincoln Institute, 2017:

<https://www.lincolnst.edu/publications/working-papers/inclusionary-housing-united-states>

² See Buholzer, *Inclusionary Zoning in B.C. – Is it Time? Is it Too Late?* Presentation to the B.C. Local Government Management Association, 2017:

<http://www.lgma.ca/assets/Programs~and~Events/Conference~and~Tradeshow/2017~Conference/BILL%20BUHO%20-%20Inclusionary%20Zoning.pdf>

These changes should be used to better align class determined rates with the future usage (and true value) of highly sought-after land parcels.

For example, land that faces current, future or proposed development should remain subject to the full “Class 6, Business Other” tax rate until a specified level of completion is reached and the final transition is made to “Class 1, Residential.” Projects that will create primarily rental and/or social housing should be exempt. Highly sheltered rates accessed under “Class 9, Farm” (for example, temporary “community gardens” and green space often exploited by corporate owners and developers) should also be banned in downtown cores and other areas where housing development needs to be sped up.

Land value capture: help local governments shift the focus local taxation towards land value and real estate speculation

Over the longer term, the province should work with local governments to implement a Land Value Tax that would help local governments escape their current reliance on Development Cost Charges (DCCs) and Community Amenity Contributions (CACs).

DCCs and CACs are generally a one-off source of revenue, and typically determined on a project-by-project basis that often lacks in transparency. DCCs/CACs also tend to incentivize the construction of higher-priced units for sale, rather than the construction or renovation of rental housing.

In contrast, land value taxes focus on taxing increases in land value that arise from property speculation, rezoning and infrastructure improvements, and rates can be scaled according to factors such as how fast a property value has increased and how close a piece of land is to transit lines and other value-creating infrastructure. This type of tax can slow down the pace of unproductive, speculation-based price increases by making it more expensive to hold and transfer speculative properties, while at the same time incentivizing landholders to make productive use of land by building on it instead of letting it sit empty while they wait for prices to increase.

The public revenue potential is huge and largely untapped. B.C. real estate was worth \$1.86 trillion by January 2018 – up by more than \$1 trillion since 2007. That is much larger than any other component of the provincial economy, and makes up a bigger share of B.C.'s GDP than oil and gas does for Alberta. However, most of this value increase currently goes untaxed and only benefits private investors, while driving up housing costs for B.C. residents. Land value capture is an effective way to get some of this value back and use it for the benefit of the people who live and work in this province. A tax of just 1 per cent on the land value lift in BC over the past 10 years would give the province an additional \$10 billion to invest in affordable housing.

While the province and local governments will need to work together to develop a specific model of land value taxation tailored to the needs of B.C. communities, land value capture policies based on similar core concepts have been used to fund housing, public transit and other

public investments in many jurisdictions across the United States, Europe and Asia. The existence of our very capable provincial property assessment agency, B.C. Assessment, puts this province in a strong position to implement and administer this type of land value tax effectively.

An array of research and resources on land value capture can be found at:

<https://www.lincolinst.edu/key-issues/value-capture-property-tax>

Conclusion

Empowering renters will be crucial to addressing BC's housing crisis. A better-resourced and fully staffed Residential Tenancy Branch can serve tenants in a more timely, effective and efficient manner, and would be better equipped to follow up on decisions and enforcement. Strengthened residential tenancy laws, regulations and enforcement would help protect tenants against unfair practices and prohibit exorbitant and unjustified rent increases. Crucially, renters will also need access to an increased supply of quality, affordable rental housing to have leverage in the marketplace. Creating that supply will require significant new public investment in housing, as well as willingness on the part of government to intervene in the housing market through better regulation, more efficient taxation and strategic use of incentives.

On behalf of BC Government and Service Employees' Union members, we appreciate the opportunity to provide this submission to the Rental Housing Task Force.