

Rental Housing Task Force Submission

Introduction and Brief Overview

Canadian Home Builders' Association British Columbia (CHBA BC) is the provincial voice of the residential construction industry in British Columbia representing more than 2,000 members through an affiliated network of nine local home building associations located throughout the province.

CHBA BC members are small and medium-sized industry companies, including home builders, renovators, product suppliers, manufacturers, trades, realtors, developers and other professionals. Members build and renovate all types of homes in British Columbia, including market housing, rental, modular, and more. The industry overall represents 158,000 jobs in new home construction, renovation, and repair - one of the largest employers in British Columbia.

Addressing housing affordability and availability is most successful when all aspects of the housing continuum are considered – from homelessness to market ownership. Without this approach, undue pressures on one aspect of the housing continuum create pressures on others. For example, the increased need for rental housing in British Columbia is in part due to pressures in market housing such as changing mortgage rates, available options and accessibility, population growth, and other factors. British Columbians who might otherwise buy may be required or choose to rent, creating additional pressures for rental housing units.

Top 3 Priorities for Change

The Residential Tenancy Act itself has many strong elements that should be retained. Without these elements, there could be a disincentive to initiating new purpose-built rental construction.

For context, a [CMHC report published in October 2017](#) identifies the existing scenario for rental housing and some of the greater challenges in cities with high land costs, such as Vancouver. The report findings indicate that, even at above-market rent, “the 10-year average annual cash-on-cash returns were found to be negative in most cases when land costs were included in the analysis.”

With this in mind, the following priorities to retain in the Act ensure continued investment in new and existing rental properties, for both individual landlords and rental companies.

1. Retain the existing formula of CPI + 2%, to ensure landlords have the capacity to increase rent annually by a reasonable margin to keep up with rising costs. There are many factors that require this increase that are often not spoken about, such as rising interest rates, mortgage rule changes, and others. The assumption that the increase is only profit is limited.
2. Continue to allow a change in rent at market rates when tenant turnover takes place. This also creates an incentive for landlords to invest upkeep into units between tenants.

Ideas and Solutions

As mentioned, while outside the scope of the RTA, everyone benefits from a healthy vacancy rate. Supporting the growth of rental housing stock, through incentivizing purpose-built rental and additional construction, is a key component to achieving this goal.

Examples of this include:

- The City of Vancouver's efforts to pre-zone for laneway housing across the city has added significant ground-oriented rental stock amongst existing single-family zoning. This incentive should be considered in other municipalities and encouraged.

- Encouraging or supporting municipalities to fully rebate or subsidize development cost charges and other development fees for new purpose-built rental construction. As mentioned, the costs to new rental construction can be prohibitive, and incentives would help to close that untenable gap. This is taking place in cities across Canada and the U.S., and should be expanded and increased. In addition, some provinces are providing the funding to municipalities to do so, if municipalities cannot alone cover such costs.
- Working with other provinces to raise at the federal level why GST is charged in full on rental projects. CHBA BC continues to hear about this requirement as one of the greatest disincentives to rental versus building market ownership.

In contrast, there are concerns about the challenges that rental-only zoning may create. For example, using the above CMHC report, in cities like Vancouver even the building costs without land can stop new projects unless premium market rates are collected or significant density is warranted. Therefore, assuming projects will proceed purely because market ownership is removed is not conclusive.

There are benefits to encouraging mixed-use communities – with both ownership and rental – and especially along transit corridors. Owned units may also become rental units through the private market, which adds secondary rental stock. As mentioned in the introduction, addressing the entire housing continuum with additional supply of both market housing and rental is essential for overall housing affordability.