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From: Viv Christison [lionsviewhousing@gmail.com]
Sent: January 26, 2010 12:01 PM
To: MayorandCouncil
Subject: Bulletin on the impact of HST on rental housing
Attachments: HST Bulletin.docx

Please could the attached bulletin be circulated to Mayor and Council.
Thank you.

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Viv Christison
Lionsview Seniors' Planning Society,
600 West Queens Road
North Vancouver BC
V7N 2L3



A Strong Voice For Seniors on the North Shore

The Lionsview Seniors' Planning Society is funded in part by the City of North Vancouver, the Districts of North and West Vancouver, the United Way of the Lower Mainland and the Province of British Columbia.

Mayor and Council
District of West Vancouver
750 – 17th Street
West Vancouver, BC
V7V 3T3

January 26, 2010

Bulletin on Rental Housing and the introduction of HST

Context

Rental housing represents an important part of the housing continuum. Across Metro Vancouver more than one in three households are renters. In the Districts of West Vancouver and North Vancouver the number of renter households is between 20 and 25%, while in the City of North Vancouver it is close to 50%.

CMHC estimates that an additional 5,500 new rental units are needed per year over the next five years. By contrast, CMHC data for 2008 shows that purpose built rental housing starts were less than 4% of all housing starts – or approximately 750 dwellings. The reasons for this shortage are many, but principally they have to do with a lack of Federal support and Federal tax disincentives complicated by Provincial rent limits. The consequence is that the provision of purpose built rental units is a high risk, low return business. The impact of the shortage of supply is reflected in the very low rental vacancy rates for the Metro area and for the North Shore. Rates are consistently less than 2% and on the North Shore are more frequently at levels as low as 0.2%. Rates at 2.5% are considered to indicate a healthy market. The second impact is an increasing gap between renter income and average rental rates. The May 2009 Report on Housing Affordability in Metro Vancouver looks at the Affordability Gap and shows that low income residents in the District are very unlikely to find 'affordable' rental housing i.e. housing that costs 30% or less of gross income.

The shortage of affordable rental accommodation is important to the three North Shore municipalities because people who live in affordable housing remain



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healthier [resulting in savings in health and social support services], retain their independence for longer and spend their improved levels of disposable income in their communities. A recent report to North Shore Councils by Social Planners on The Impact of Economic Times on Social Service Agencies has outlined that all efforts to mitigate serious social effects must be taken. This must include consideration of all reasonable means of providing affordable rental housing.

Issue

This Bulletin is intended to draw attention not just to the need to add to rental supply but to a serious new threat to that limited rental supply.

According to data provided by BC Apartment Owners and Managers Association, the implementation of the HST will have a serious negative effect on owners of residential rental housing in British Columbia. Under the planned legislation, owners will be required to pay HST on all goods and services related to residential housing but will be unable to recoup these charges as a result of Provincial rent controls. In effect, the owners will have to bear an estimated 1.5% - 3% increase in operating costs which cannot be passed on to tenants. This will surely impact an industry where margins are already limited. There will be a profound ripple effect on the quality and quantity of rental housing. For example, some Municipalities have protections against the conversion of rental stock into condo buildings. However, not all municipalities have protections against the demolition of rental buildings and the sale and/or redevelopment of that property. As noted, residential rents attract neither GST nor PST and this is as it should be. Food and shelter are necessities of life. Recognizing this, to date no government in Canadian has elected to tax groceries or rent. Further, the grocery industry is permitted to claim input tax credits on GST paid for goods and services related to the sale of groceries. Again, this is as it should be as the grocery industry collects no GST so would otherwise have no method to offset GST, and would have to include its costs in the price to consumers.

Recommendation

There is an immediate need to neutralize the costs to the rental housing industry associated with the imposition of the planned HST. Lionsview Seniors' Planning Society recommends that Council consider making the following motion.



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Whereas

Rental Housing is an essential element of the District of West Vancouver's affordable housing supply;

Rents charged for rental housing in the District of West Vancouver are not subject to Goods and Services Tax [GST] or Provincial Sales Tax [PST] nor will they be subject to the Harmonised Sales Tax [HST];

Rental Housing operators and landlords pay GST on operating costs such as water, garbage, recycling, service contracts, maintenance and supplies and cannot offset these costs due to no input tax credits and BC provincial rent control legislation;

The operating costs mentioned above are not subject to PST and will be subject to HST and

The HST will increase the operating costs of rental housing operators and landlords by 1.5% to 3% with no ability to offset the increases.

Therefore be it resolved

That Council request the Province in its negotiations with the Federal Government to seek to 'zero rate' the rental apartment industry in order to protect the existing and future rental housing stock.

That Council requests the Province to investigate ways to offset the additional costs of HST as it relates to rental housing.

These comments are respectfully submitted on behalf of Lionsview Seniors' Planning Society by

Viv Christison
Housing Committee Chair