

PROVINCIAL CONTRIBUTIONS TO HOUSING AFFORDABILITY THROUGH PROPERTY TRANSFER TAX

Summary: To use Property Transfer Tax Revenues to assist in housing affordability.

Status: approved by Kamloops Chamber Membership

The past few years have seen unprecedented increases in the cost of building materials and labour for new and renovated housing across British Columbia. A substantial part of the increase in costs also relates to municipal infrastructure cost, which costs are passed on in part to the contractor and the subsequent purchaser through development cost charges assessed against developments in a local government area. The result of such costs has been a significant increase in the cost of new housing to the public. The increased cost of new housing has in turn increased the cost of used residential purchases limiting the affordability of housing to all segments of the British Columbia population.

During this same period, the Province has experienced exponential growth in revenues received from Property Transfer Taxes that are directly related to the increase cost of housing and properties in British Columbia. In the last six years alone the revenue from Property Transfer Tax has gone from \$303,000,000 in the 2001 - 2002 fiscal year to a forecasted amount of almost \$1,000,000,000 for the fiscal year 2006 - 2007 (for 2007 - 2008 it's expected that the revenue from Property Transfer Tax will exceed \$1,000,000,000). This represents more than a 300% increase in Property Transfer Tax revenues since 2001 - 2002.

While the increase in the value of housing and property in local government areas is directly felt by municipalities and their citizens in the affordability of infrastructure and housing, the Property Transfer Tax generated from sales of property with increased values is not shared with those same groups. This has resulted in the citizens of local government areas having reduced affordability of housing without having any benefit from the payment of increased Property Transfer Tax on the increased value of that property. Due to an increase in development within local government areas, increased load is placed on infrastructure and requires upgrading which is paid by the consumer by way of development cost charges payable by the Developer and Builder and passed on to the consumer in the purchase price of the property.

Since infrastructure costs are usually tied to the development growth of a community. Payment of even a small portion of the Property Transfer Tax collected from a community would be a significant contribution to the infrastructure costs of that community. For instance, if a community's property sales generated 20 million dollars in Property Transfer Tax and that community experienced a six (6%) percent growth during that same year, a payment of six (6%) percent of the Property Transfer Tax collected would contribute 1.2 million dollars to that community's infrastructure needs.

Recommendation:

THE PROVINCIAL GOVERNMENT USE PROPERTY TRANSFER TAX REVENUES TO CONTRIBUTE TO MUNICIPAL INFRASTRUCTURE COSTS AS A MEANS TO ASSIST IN HOUSING AFFORDABILITY.

Submitted By:

The Canadian Home Builders' Association Kamloops