

ITEM 3  
MANAGER'S REPORT NO. 32  
COUNCIL MEETING 89/05/01

RE: HOUSING INITIATIVES CONTAINED IN THE B.C. GOVERNMENT BUDGET SPEECH  
OF MARCH 30, 1989

ACTING MUNICIPAL MANAGER'S RECOMMENDATION:

1. THAT the recommendation of the Director Planning & Building Inspection be adopted.

\* \* \* \* \*

TO: ACTING MUNICIPAL MANAGER 1989 APRIL 25

FROM: DIRECTOR PLANNING &  
BUILDING INSPECTION

SUBJECT: HOUSING INITIATIVES CONTAINED IN THE B.C. GOVERNMENT'S BUDGET  
SPEECH OF MARCH 30, 1989

PURPOSE: To inform Council of housing initiatives relevant to the  
Municipality contained in the Province's Budget Speech.

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RECOMMENDATION:

1. That this report be received for the information of Council.

R E P O R T

1.0 BACKGROUND:

On March 30, 1989, the Government of British Columbia delivered a Budget Speech in the legislature. Included in this speech were references to a number of new and changed housing initiatives, many of which involve Municipal Governments. The purpose of this report is to inform Council of these initiatives, and to highlight those that are relevant to municipal governments.

Attached to this report are a number of documents that discuss the housing initiatives raised in the Budget Speech, including an excerpt from the speech (Attachment 1), and excerpt from an analysis of the speech by Thorne Ernst & Whinney/ Stevenson Kellogg Ernst & Whinney (Attachment 2), and a copy of a brochure prepared by the provincial government on the Housing Programs (Attachment 3).

2.0 PROGRAMS OF SIGNIFICANCE TO MUNICIPAL GOVERNMENTS

2.1 Rental Supply Programs

The Provincial Government has introduced a number of short-term initiatives designed to stimulate the construction of rental housing, particularly in the Greater Vancouver and Greater Victoria areas. The target is the construction of 4,000 units of rental housing, to be started over the next 18 months.

Under the **Crown Land Rental Housing Program**, the Provincial Government would sell or lease crown-owned land to developers who would agree to build rental housing. Property purchase tax will not be payable on the land. The Province will share up to one-third of the proceeds on sale or leases with participating municipalities that provide appropriate zoning and can expedite development approvals. It also appears that the Province will encourage municipalities to make their land available for this program. 118

Developers using the Crown Land Rental Housing Program will also be permitted to take advantage of the **Rental Housing Interest Assistance Program** which will provide interest rate assistance of up to 3% on five year mortgages provided that certain equity amounts and commitments to maintain moderate rent levels are met.

The **Municipal Incentive Grants Program** is designed to encourage municipalities to approve rental housing developments by offering a conditional grant of up to \$2500 for every unit of multi-family rental development approved within a specific time period.

The Minister of Social Services and Housing has indicated that units receiving assistance under these programs will not be able to convert to condominium ownership, but has not indicated how this will be accomplished.

2.2 Social Housing Programs

There are no substantial changes to the current Federal / Provincial social housing programs.

2.3 Home Owner Programs

Other than the increase to the Home Owner grant, lowering the age of eligibility for the Land Tax Deferment Program, raising the eligible house price limit for eligibility for a B.C. Second Mortgage and offering some relief under the Property Purchase Tax, there are no major new initiatives.

3.0 DISCUSSION

Many of the details regarding the above described programs have not been announced. Therefore, it is not possible at this time to determine if these programs are applicable or appropriate to Burnaby. Staff have been informed that a press release will be issued within one month that will identify Crown Land sites that will be available for development of rental housing, and will announce a Federal-Provincial-Municipal Task Force that will pursue cooperation in the provision of government-owned land for development of rental housing.

Staff will keep Council apprised of any program details that may affect the Municipality as they are announced.

This is for the information of Council.

*AD.*  
BG/jp

*A.L. Parr*  
A.L. Parr,  
DIRECTOR PLANNING &  
BUILDING INSPECTION

Attachments

cc: Director Finance

ATTACHMENT 1

## HOUSING INITIATIVES

### HOME OWNER GRANT

The province supports home ownership and reduces property taxes by offering home owners an annual grant to be applied against their property taxes.

In 1988, two levels of grant were offered: a grant of \$630 for seniors, the disabled and recipients of war veterans allowances; and a basic grant of \$380 for all home owners.

The program is being enhanced for 1989. The total 1989 grant paid to seniors, the disabled and recipients of war veterans allowances will be increased by \$70 to \$700, while the 1989 basic grant will be raised by \$50, to \$430.

More than 700,000 home owners will receive the Home Owner Grant in 1989 at a cost to the province of \$343.4 million in the 1989/90 fiscal year. Over 640,000 of the recipients of the Home Owner Grant will receive the increase; the remainder will pay only the minimum property tax.

#### THE HOMEOWNER GRANT 1968-1989

Year	Grant Under 65 (\$)	Min <sup>1</sup> (\$)	Over 65 (\$)	Min <sup>2</sup> (\$)	Total Value of H.O.G. (\$000,000)
1968	130	1	-	1	46.2
1969	150	1	-	1	54.8
1970	160	1	-	1	60.3
1971	170	1	-	1	66.2
1972	185	1	235	1	78.2
1973	200	1	250	1	88.9
1976	280	50	380	1	149.4
1979	380	50	580	1	226.6
1980	380	50	630	1	226.9
1985	380	175	630	1	275.0
1986	380	200	630	1	274.9
1987	380	350	630	100	281.2
1988	380	350	630	100	298.9
1989	430	350	700	100	343.4

<sup>1</sup> Minimum amount of general municipal property tax payable after deduction of HOG first from school taxes, then from general, for taxpayers under 65.  
<sup>2</sup> Minimum payable for those over 65.

### PROPERTY TAX DEFERRAL

Home owners who are 65 years of age or older, widowed, or disabled, can defer the property taxes on their home until they no longer own it or the property ceases to be their principal residence. Home owners who use this program are charged interest at less than market rates only on their outstanding property taxes. There are approximately 2,700 home owners who have deferred their property taxes through this program.

The coverage of the program has been expanded. The age for eligibility has been lowered from 65 years to 60. This enhancement is expected to increase the number of beneficiaries by as many as 3,000 home owners.

### TWO NEW HOUSING INITIATIVES INVOLVING MUNICIPALITIES

The supply of rental housing, especially in Greater Vancouver and Greater Victoria, is a matter for concern. The essential ingredient to increasing the rental housing supply is cooperation among the players involved. Municipal governments have a major role to play through their regulation of new developments. Developers must play a role by building affordable housing and the provincial government can play a role by providing land suitable for development and some financial assistance.

For our part, we have already identified provincial government and Crown-owned land in Greater Victoria and Greater Vancouver sufficient to provide many new units of rental housing over the next two or three years and I challenge the municipal governments and developers to work with us in ensuring those units are built. Our target is an additional 4,000 units of rental housing, to be started over the next 18 months.

#### Crown Land Rental Housing Development Program

Our proposal is to sell or lease this land when zoned, on an open tender basis, to developers who agree to build rental housing. I also propose to exclude the sale of this land from the property purchase tax.

Those municipalities who participate in this program by providing the appropriate density requirements that facilitate an early start on this initiative will share in up to one-third of the proceeds from the sale or lease of Crown land and other provincial government land used for these developments.  
*Continued on page 3*

*Continued from page 2*

The province will sell or lease Crown land with the condition that the purchaser develop rental housing. The province will encourage municipalities to make their own land available for this program and will discuss with them the feasibility of having this program overseen by a joint provincial/municipal task force. The province will share the revenues of provincial land sales or leases with those municipalities who choose to participate in this program through the provision of prompt action on zoning, including densities.

Rental housing developers will be encouraged to participate in the program in two ways: they will be forgiven the property purchase tax otherwise payable; and two, they will have reduced land costs because the land will be offered for sale or lease on the condition that it be used only for rental housing.

#### **Municipal Incentive Grants**

We are also introducing a Municipal Incentive Grant to encourage municipalities to approve rental housing developments. The province will offer the municipalities conditional grants based on the number of starts of new, multi-family rental housing units. The grants are expected to range up to \$2,500 per unit. This program will assist municipalities in providing services to new multi-family rental developments and encourage the municipalities to expedite the zoning and regulatory procedures involved in multi-family rental developments.

My colleagues, the Minister of Social Services and Housing, the Minister of Municipal Affairs, Recreation and Culture and the Minister Responsible for Crown Lands, have the major responsibilities for this initiative and will be announcing details in the near future.

#### **TASK FORCE AND CROWN CORPORATION FORMED**

In order to facilitate the implementation of the Provincial Housing Action Plan, we propose to present legislation authorizing the formation of a new Crown corporation, the British Columbia Housing Corporation. The objective of this corporation will be to increase private sector and government cooperation in the housing market and to assume the function of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation.

Municipalities and the federal government are also major land owners in Greater Vancouver and Greater Victoria. We shall ask them to participate by providing land for rental housing. Accordingly, the provincial government is appointing a task force for this purpose with a wide mandate to pursue cooperation among all the potential participants.

**Faxed and mailed March 31st 1989**

## **ENVIRONMENT AND LOCAL GOVERNMENT 120**

*The Ministry of Energy, Mines and Petroleum Resources will be spending \$3.1 million this coming year on a new program to produce energy from waste products, including municipal garbage, wood waste and possibly coal wastes. The province will be seeking matching funds for this initiative.*

*The province has already announced major financial support, under the GO BC program, for recycling initiatives in Nanaimo and Surrey. We will also be assisting other municipalities and regional districts wishing to establish recycling programs.*

*The government will increase funding available to municipalities for water and sewer infrastructure under the Revenue Sharing Fund and dedicate money from the Lottery Fund to address other local waste management priorities.*

*The government will expand and upgrade toxic waste storage facilities and work towards establishment of a provincial toxic waste disposal plant.*

### **OTHER POINTS OF INTEREST**

- **MSP PREMIUMS INCREASE AGAIN**  
Medical Services Act  
• Effective April 1, 1989, Medical Services Plan premiums will be increased to \$62 per month for a family of three or more, \$55 for a family of two and \$31 for single subscribers. Currently, monthly rates are \$58, \$52 and \$29, respectively.

- **NO PROPERTY TAX OR ASSESSMENT CHANGES ANNOUNCED**

- **MORE FUNDING FOR COMMUNITY ECONOMIC DEVELOPMENT**

- The Minister of Regional Development will receive \$3.9 million in new funding for expansion of community based initiatives such as the Community Organizations for Economic Development Program, which assists in local economic development.

### **TO FOLLOW**

- Review of Highways Privatization
- More Details and Analysis
- Analysis of Bills Tabled

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ATTACHMENT 2

A Review of the  
BRITISH COLUMBIA BUDGET

March 30, 1989

Thorne Ernst & Whinney  
Chartered Accountants

Members of  
Ernst & Whinney  
International

Stevenson Kellogg Ernst & Whinney  
Management Consultants

	Revised Forecast 1988/89	Budget Estimate 1989/90
1987/88		
	(\$ millions)	
General Fund Revenue	\$10,240	\$13,487
General Fund Expenditure	<u>11,031</u>	<u>13,487</u>
General Fund Surplus (Deficit)	(791)	0
Transfer to Budget Stabilization Fund	743	(500)
Interest Adjustment	<u>74</u>	<u>125</u>
Restated Surplus (Deficit)	\$ (48)	\$ (375)

Viewed this way, the government's finances have been significantly closer to balance in the last two fiscal years than they will be in 1989/90. Indeed in 1989/90 we see some disturbing signs that the balanced budget picture may not be easily maintained:

- o the underlying rate of growth of revenue, excluding the transfer from the Revenue Stabilization Fund, is projected as 7.3%, considerably below the 12.8% projected rate of growth of spending
- o natural resource revenue shows almost no growth in 1989/90
- o the revenue picture has been helped considerably by a first time dividend from B.C. Hydro of \$102 million.

Clearly, growth in expenditure and revenue must come into better balance next year if the government is to avoid drawing down the Budget Stabilization Fund further.

#### HOUSING INITIATIVES

In response to the pressures exerted on the housing market as a result of a buoyant economy, the Minister of Finance introduced a number of measures designed to relieve rising housing costs and an inadequate supply of rental accommodation.

In order to implement and administer those portions of the program which are directed at increasing the supply of rental accommodation, the Minister announced proposed legislation to create a new Crown corporation,

the British Columbia Housing Corporation, with a mandate to increase government and private sector co-operation in the housing market and assume the roles of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation. Overall the package directed at housing initiatives is anticipated to cost about \$890 million.

#### RENTAL ASSISTANCE PROGRAMS

These programs include increases of GAIN Shelter Allowances for persons between ages 19 and 64, Shelter Aid for Elderly Renters (SAFER), a new renters tax reduction and increased social housing subsidies.

#### Gain Shelter Allowances

These allowances are available to British Columbia residents between the ages of 19 and 64 for the purpose of assisting eligible persons defray the costs of rent, mortgage payments, insurance, property taxes, and other permitted costs of housing.

The maximum GAIN Shelter Allowances which are based on the size of the family unit will increase by 5% effective July 1, 1989. The estimated cost of this increase is \$16 million.

#### Shelter Aid for Elderly Renters (SAFER)

This program presently provides assistance to low income persons aged 65 and over who pay more than 30% of their income for rent. Assistance is calculated as 75% of the amount by which the rent exceeds 30% of income to a maximum rent of \$330 per month for sole occupants and \$365 per month for couples.

Effective July 1, 1989, the age for eligibility will be reduced to age 60 and the maximum rents permissible will be \$450 per month for sole occupants and \$475 per month for couples. Indications are that the formula will also change to provide greater benefits. This measure is expected to double the cost of SAFER to \$15 million.

#### Renters Tax Reduction

To assist working families who rent, the Minister of Finance introduced a temporary income tax reduction which will apply to 1989 and be phased out over the subsequent four years.

The tax reduction will be \$200 per family member less 3% of family net income in excess of \$10,000. The amount may not in any event exceed 10% of total rent for the year.

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Examples of the tax reduction will be as follows:

Family Net Income	Family Size and Annual Rent Paid		
	3	4	5
15,000	\$ 6,000	\$ 6,000	\$ 9,600
20,000	450	600	650
25,000	300	500	500
	150	350	350
			\$14,400

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The tax reduction under this program will be available to reduce provincial taxes otherwise payable, thus it will not result in tax refunds to non-taxable persons.

This program is projected to benefit 80,000 taxpayers and result in reduced revenues from personal taxation of \$15 million in 1990/91.

**HOME OWNER ASSISTANCE**

**Home Owner Grant Programs**

The government will increase the Home Owner Grant which is applied to property taxes.

The grant for seniors, the disabled and recipients of war veterans allowances rises \$70 to \$700 and the basic grant increases by \$50 to \$430. This measure is anticipated to cost \$33 million in 1989/90 and result in reduced property taxes for 640,000 homeowners. The budget does not appear to contemplate continuation of the increased grant to 1990.

**Social Housing Programs**

Of the 51,000 social housing units directed to low income families, seniors and the disabled, 15,600 of them are still being subsidized and about 8,000 are owned and managed by the province. 1,800 new units are expected to become available in 1989/90.

The province intends to spend \$236 million to manage social housing and subsidize tenants. This is a \$2.8 million increase from the current fiscal year. The province also intends to purchase social housing sites at an estimated cost of \$5.5 million.

**Land Tax Deferral Program**

This program currently permits home owners who are age 65 or older, widowed or disabled to defer property taxes until they no longer own the property or it ceases to be a principal residence. The budget expands eligibility for the program in 1989 to homeowners aged 60 or older. The estimated cost of this measure is not significant.



### **British Columbia Second Mortgage Program**

This program presently provides second mortgages of up to \$10,000 for homes costing \$85,000 or less. The eligible house price limit will be raised to \$100,000 effective June 15, 1989 coincidental with privatization of the program which will see direct second mortgage financing by government replaced by provincial guarantees. The maximum assistance will also be increased to \$12,000. The proposed eligible house price limit is less than the limit which was in effect from July 1981 to July 1983.

### **Property Purchase Tax Relief**

The budget introduced some relief from the 1% Property Purchase Tax for home buyers who have lived in British Columbia for one year or more and purchase homes valued at \$150,000 or less where 75% or more of the purchase price is financed.

The reduction in the property purchase tax will be 4% of the amount by which the registered financing exceeds 75% of the value of the home.

For a \$100,000 home with a mortgage of \$80,000 the reduction from the property purchase tax of \$1,000 will be \$200. If the mortgage were \$90,000, the relief would be \$600. This measure is effective March 31, 1989.

### **RENTAL SUPPLY PROGRAMS**

There are four new programs aimed at increasing the supply of rental accommodation without providing extended rental subsidies:

- o The Rental Housing Interest Assistance Program is designed to assist investors in financing the construction of qualifying rental housing. The program will provide interest rate assistance of up to 3% on five year mortgages. Certain equity amounts and commitments to maintain moderate rent levels will be required.
  - o The Crown Land Rental Housing Development Program will make available provincial crown land for the development of rental housing. It is anticipated that the land sales or leases by tender will take place at reduced prices as the land use will be restricted. Property purchase tax will not be payable on the transaction.
- The province will share the proceeds on sale of leases with participating municipalities that provide zoning and other regulatory assistance.
- o Start up grants for non-profit seniors housing at \$20,000 per project will be made available to non-profit societies providing unsubsidized, rental housing for seniors.

- o The province will offer conditional grants to municipalities of up to \$2,500 per new, multi-family rental unit to assist in providing services and expedite zoning and regulatory processes.

The costs and timing of implementation associated with these programs are not detailed in the budget papers.

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#### EDUCATION

All levels of education receive high priority in the government's spending plans. The Ministry of Education's budget is up 12.8% taking it above \$2.2 billion. Spending for the Ministry of Advanced Education and Job Training increases by 13.9% to \$995 million.

#### Schools

The major increases in spending by the Ministry of Education are projected in the following areas:

- o A \$149 million increase in the provincial contribution to school districts operating budgets and debt service costs resulting in total budgeted expenditures of \$1.6 billion.
- o \$44 million of new funding and \$20 million of redirected funding to commence implementation of the Sullivan Royal Commission's recommendations. These funds will be directed to development of an ungraded primary curriculum, upgrading of curriculum for grades 4 to 10, support for rural teacher education and enhancement of native Indian language and culture programs. Implementation of this report is projected to cost \$1.4 billion over the next ten years.
- o An \$8.4 million increase to \$57.1 million in grants to independent schools. The per pupil funding level of independent schools will be 50% of that for public schools.
- o Contribution to teachers' pension funds will rise by 10% to \$135 million.

The Passport to Education program which permits secondary school students to earn financial credits towards post secondary or job training programs continues at its present funding level.

In addition to the general fund expenditure increases, an additional \$250 million will be provided to build new schools and improve existing facilities. This is part of a \$1.5 billion capital program to be implemented over six years.



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ATTACHMENT 3

**Second Mortgage Program**  
The Second Mortgage Program for eligible home buyers is being privatized. Effective June 15, 1989, second mortgages will be replaced by provincial loan guarantees. The guarantees will be attached to first mortgages issued by financial institutions. The eligible house price limit will then be raised to \$100,000 and the maximum assistance available will be increased to \$12,000.

**Land Tax Deferral Program**

And, the age at which British Columbians are entitled to defer their taxes under the Land Tax Deferral Program is being lowered from 65 to 60. The provincial government pays the taxes to the municipality. The taxes owing must be paid when the home owner no longer owns the property or it ceases to be the home owner's principal residence. Simple interest is charged at less than prime rate.

**MORE INFORMATION**

To get more information on any of the housing programs of the Government of British Columbia, call toll-free 435-5656 in the Lower Mainland or 1-800-663-5656 from anywhere else in the province from Monday to Friday, 8:30 a.m. to 4:30 p.m.

Queen's Printer for British Columbia  
Victoria, 1989

**Rental housing interest assistance**

The provincial government will offer interest assistance on mortgages to finance the construction of new rental housing.  
Commitments to ensure affordable rent levels will be required. Developers will be permitted to obtain interest-reduced loans under this program to build affordable rental housing. This assistance program may also be used with the Crown land rental housing development program.

**Grants for non-profit housing societies**

Non-profit societies wishing to develop unsubsidized seniors' housing can qualify for matching start-up grants of up to \$20,000.

**Municipal incentive grants**

For each unit of multiple dwelling rental housing approved within a specified time period, municipalities will receive a grant of up to \$2,500 per unit.

Grants will also be made available by the provincial government to encourage municipalities to develop comprehensive plans for multiple dwelling rental housing.

**OWNERSHIP PROGRAMS**

**The Home Owner Grant Program**

The home owner grant is being increased for 1989 by \$50, to \$430. Seniors, the disabled and others entitled to the supplementary grant will receive an increase of \$70, to \$700.

**Property purchase tax relief**

The property purchase tax is being reduced, on a sliding scale, for British Columbians who do not have a large down payment to make against the purchase price of their home. This applies to all applicants on the basis of need — not just first-time buyers.  
The tax reduction will apply to purchases where the mortgage financing exceeds 75 per cent of the purchase price and the total price of the house is \$150,000 or less.

A purchaser will be eligible if he or she has been resident in British Columbia for one year.

## MINISTERS' MESSAGE

British Columbia's growing economy and the province's attractiveness as a place to live and work are putting pressure on the supply of housing.

Pressure means prices are rising. Renters are affected most seriously, especially seniors and families with children.

The provincial government is responding to the housing needs of British Columbians this year with over \$890 million in housing programs. That's over \$120 million more than we spent on housing programs last year.

Both short-term and long-term strategies are being introduced with this year's provincial budget:

- to help British Columbians meet market-determined prices for their living accommodation;
- to increase the supply of affordable rental housing; and,

- to help British Columbians, especially those just entering the housing market, buy homes and pay their property taxes.
- This brochure outlines the new programs and provides details on other established programs being improved this year.

Honourable Claude Richmond,

Minister of Social Services and Housing

Honourable Mel Couveller,

Minister of Finance and Corporate Relations

## SOCIAL HOUSING PROGRAMS

There are already 51,000 units of social housing in British Columbia.

The partnership between the federal and provincial governments, the private sector and non-profit societies has produced 5,516 housing units since 1986.

More than 1,800 new units will be approved for development this year and the provincial government will offer to negotiate with the federal government a significant increase to this number.

These new units are being targeted to seniors, families, the disabled and older, hard to house singles.

### GAIN shelter allowance

Shelter allowances for people in need who qualify under the income assistance program will increase effective July 1, 1989.

Eligible recipients must be 19 years or older.

### SAFER (Shelter Aid for Elderly Renters)

SAFER provides monthly financial shelter assistance for eligible seniors who pay more than 30 per cent of their incomes on rent.

The eligibility age for SAFER is being lowered from 65 to 60, the rent ceiling is being increased and an adjustment in the assistance formula to provide more help to those most in need is being made. The changes are effective July 1, 1989.

### Renter's tax reduction

A new renter's tax reduction for those with modest incomes who pay provincial income tax is being introduced with this budget.

For a family of four with a family net income of \$20,000 and rent of \$700 per month, the tax reduction will amount to \$500. This program will be available for five years.

## RENTAL SUPPLY PROGRAMS

Crown Land Rental Housing Development Program

The provincial government has already identified provincial Crown land sites that may be suitable for the construction of many new units of rental housing. When a final determination of their suitability is made, they will be offered for sale or lease to developers with the condition they be developed for multiple dwelling rental housing.

Vancouver and Victoria areas are being targeted. The land sales will be exempt from the property purchase tax.

The provincial government will encourage municipalities to expedite the approval process of multiple dwelling rental housing built under this program by sharing with them part of the proceeds from the sale or lease of Crown lands.

The provincial government will also seek the cooperation of the federal government and municipalities by proposing the establishment of a special task force with their participation and will encourage them to make some of their land available for rental housing construction.

The target is the development of 4,000 new units of multiple dwelling rental housing.

### Business Immigration Program

The Business Immigration Program, through the Ministry of International Business and Immigration, permits the development of affordable rental housing as an acceptable investment for business immigration purposes.

The initiative is to encourage the creation of affordable rental housing through investments by persons applying to immigrate to British Columbia. Projects will require the approval of the federal government.

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