Smart Regulations for Housing

Building the Economy and Improving Employment

OVERVIEW

Address existing legislation and regulations based on housing costs, affordability, jobs, and economic impacts, including the **Modernized Municipal Government Act - MMGA (2016)** and associated regulations, **Bill 30 - An Act to Protect the Health and Well-being of Working Albertans (2017)** and **Bill 17 - The Fair and Family-friendly Workplaces Act (2018).** Provide leadership and representation for Alberta in Federal Regulations: **Mortgage Rules (2017), Energy Step Codes (2021).** The outcomes of this work should:

- Ensure transparency and accountability for funding from all sources.
- Consider the policy impact on housing costs.
- Encourage private sector investment.
- Ensure industry is at the table to provide expertise on housing policy development.
- Recognize the employment and economic impact of development and housing industry.

Rationale

- The original intent of the MMGA, deliberated from 2012 – 2016 was to provide government transparency while establishing predictability for continued investment in land development. Legislation and regulations introduced in fall 2018 significantly impacted business certainty and is discouraging investment.
- Policies and regulations across multiple ministries have a cumulative effect on cost to homeowners, without increasing the value of their home. Development levies, inclusionary housing and potential Energy Step Codes for homes could increase the price of every new home by $50,000 or more.
- Housing affordability is bottle-necking natural progression through the housing continuum, creating an unprecedented volume of unsold stock and projected job loss due to reduced new construction.
- Bill 30 (2017) and Bill 17 (2018) have added considerable administrative and worksite burden without actually improving the lives of employees or making worksites safer.
- Mortgage Rules designed for Toronto and Vancouver have removed almost 120,000 Alberta households from the entry-level housing market.
- Reducing red tape, unnecessary delays, and administration burdens on infrastructure and land development will lead to higher employment and a stronger economy.

Budget Impacts

The immediate cost implications to government are negligible other than staff time to prepare legislative documents. The policies presented do not have a direct monetary impact on provincial revenues or funding agreements. The policies recommended for redress provide sustainable/predictable funding options for municipalities throughout Alberta. The most significant (positive) budget impact will be on Albertans – more jobs, better wages, and less money required for home ownership.

Stakeholder Representation

BILD Alberta represents 1800 member companies including home builders, land developers, professional renovators, suppliers, skilled trades and consultants across the province. We also work with industry associations formally and through broad consultations including the Alberta Construction Association, Alberta Forest Products Association, Alberta Real Estate Association, Concrete Alberta, Alberta Road Builders and Heavy Construction, Alberta Construction Safety Association, Alberta Urban Municipalities Association and the

Rural Municipalities Association. We also consult broadly across the sector with provincial and municipal industry associations and industry representatives from Alberta's largest land developers and home builders,

Implementation

The ground work for smart regulations is readily available in the original consultations that were undertaken as part of the MMGA. BILD Alberta has completed comprehensive cost-modelling based on the original frameworks for a municipal and industry partnership for growth. This research will be provided to renewed consultations with Municipal Affairs, municipalities and industry experts.

1. MODERNIZED MUNICIPAL GOVERNMENT ACT (MMGA)

Recommendation

1. Engage with BILD Alberta with regards to the MMGA and associated regulations (including City Charters) on policies related to off-site levies and inclusionary housing with a focus on increasing accountability, reducing costs to home owners, identifying cost off-sets for industry, while encouraging private sector investment.

Rationale

- The broad authority provided to municipalities for off-site levies and inclusionary housing have significant long-term implications on housing affordability and created unprecedented unease for private sector investors in Alberta. These powers have the potential to add millions of dollars in new taxes to land developers and builders on an annual basis. The scale of the impacts are unknown simply because the authority granted has no cap or restriction. Preliminary estimates are at least $5,000 per house and could reach well over $10,000.
- Land developers and home builders will support an accountable, transparent and objective approach to infrastructure and affordable housing funding, unfortunately the MMGA and associated regulations (including City Charters) have missed the mark and risk setting back one of Alberta's largest industry by years if not decades.
- The new business environment created by the MMGA and City Charters has created unprecedented uncertainty for land developers and home builders. These powers create an environment where it is impossible for land developers to predict short, medium and long-term costs.
- A reduction in private sector investment in land development and housing will result in fewer new communities being built. This will have significant impacts on employment for planners, engineers, surveyors, home builders, trades, suppliers and heavy contractors.

Impacts and Considerations

- This policy recommendation affects oversight, transparency, and limits/predictability of industry funding regulated by City Charters and the MMGA.
- This policy recommendation provides a sustainable framework that can be applied to municipal funding agreements not currently addressed by City Charters
- This policy recommendation proposes alternatives for funding inclusionary housing that address housing needs without unfair distribution of costs to market share home buyers.

2. LABOUR REGULATIONS

Recommendations

1. Change the requirements Joint Worksite Health and Safety Committees (JWHSC) or Health and Safety Representatives on residential construction sites to allow residential home builders to manage multiple lots in a jurisdiction as a single worksite.
2. Modify the Employment Standards Code to support businesses and employees:
   a. Remove Part 2, Section 23.1 (Averaging Agreements) from the Employment Standards Code and provide simplified rules for overtime payments such as have overtime be paid when shifts extend beyond 9 or 10 hours in a day or over 48 hours in a week.
   b. Modify Part 4 of the Employment Standards Code to:
      i. allow employees in residential construction to bank vacation pay;
      ii. remove the current 2% premium for our industry; and
      iii. remove requirements for payroll to run on December 31st.
   c. Modify Section 12 of the Employment Standards Code to allow employers to hold employees accountable for things such as photo radar and other infractions.

Rationale

Joint Worksite Health and Safety Committees

- Each lot in a community development is considered an individual worksite under the new Act, this leads to builders needing to manage dozens of JWHSC at any giving time, creating a massive amount of administrative burden, without improving safety outcomes on worksites.

Employment Standards

- Newly required averaging agreements that are required for all construction companies (must be updated every 12 weeks) add a level of complexity to payroll that has little to no value. In industries affected by seasonal conditions, these agreements often work to the disadvantage of the employees as it discourages employers from providing overtime while adding significant administrative burden.
- Under current rules, companies involved in construction must pay vacation pay of 6% from the start of employment (a 2% premium over the basic standard for other industries). Additionally, there is a clause requiring any banked vacation pay to be paid out annually on December 31st, removing the ability for staff to bank vacation pay into the New Year. The rules also require employers to run a special pay period run on December 31st of each year to account for these vacation payouts, regardless of their normal payroll cycle. These are unnecessary and costly requirements.

Impacts and considerations

- Current regulations have not been supported by programs that address the unique workforce site conditions of residential construction. BILD Alberta can assist with developing relevant policies.
- Residential construction is largely a seasonal, often weather dependent business, and regulations need to support the fluidity in demands and opportunity.
- There is no employee or employer advantage/rational to treatment of vacation time and a December 31st cut-off. Small and mid-sized businesses contract services for payroll management – ever additional transaction is an additional cost to the company.

3. FEDERAL POLICIES

Recommendations

1. Work with industry, ATB and credit unions to establish a made-in-Alberta solution to mortgage rules.
2. Assess plans to 'auto-adopt' future national model codes if requirements related to Energy Step Codes and Net Zero 2030 are deemed to have an adverse effect on housing affordability in Alberta.
3. Continue to support Energy Efficiency Alberta but work with BILD Alberta in developing programs that will promote business growth while achieving desired energy goals.

Rationale

Mortgage Rules

- Federal mortgage rules have played a large role in the more than 5300 completed and unabsorbed housing units sitting on the market in Alberta. This will lead to a significant reduction in housing starts and employment for a number of years.
- Home builders have a significant reduction in eligible consumers for their homes, fewer new communities and homes will be built substantially risking employment in one of Alberta's largest industries:
  - 118,000 additional households can no longer qualify for an entry level ($300,000) home.
  - 156,000 additional households can no longer qualify for a home at the 2018 average sale price ($387,853).
  - The median household in Alberta (income of $93,835) has lost $86,600 in purchasing power.

Building Codes

- The federal government has mandated that all new homes built to a Net Zero energy standard by 2030. It is estimated that this will add an additional $44,518 to construct a 2,100 square foot home in Edmonton to a Net Zero standard.
- To meet this new requirement Codes Canada is expecting to add a new tiered energy requirements, or Step Codes, to the National Building Code and include it in the next edition of the Code, in 2020. No comprehensive assessment of the cost implications of Step Codes in Alberta has been conducted to-date.
- BILD Alberta supports programs that incentivizes smart energy retrofits to housing. Programs such as Property Assessed Clean Energy Loans, provides significant opportunities to revitalize Alberta's existing housing stock while growing the economy.

Impacts and considerations

- BILD Alberta has already begun engaging with other impacted stakeholders to assess a made-in-Alberta solution to mortgage rules.
- Environmental leadership (Energy Step Codes, Retrofit programs) should be driven by consumer interest as a competitive industry that addresses existing stock and new construction.
- Preserving the PACE Program is good for Albertans, the industry and the planet while not costing the Government of Alberta anything.

4. EXPEDITED PROVINCIAL APPROVALS – ENVIRONMENT AND TRANSPORTATION

Recommendations

1. Establish legislated timelines for environmental approvals associated with the *Water Act* and *Public Lands Act*.
2. Establish a clear process where applications under the *Water Act* and *Public Lands Act* are reviewed and approved concurrently and in a much more efficient manner.
3. Establish legislated timelines for approvals and referrals to the Ministry of Transportation.
4. Establish task forces with industry to identify solutions to the delays currently experienced in both ministries.
5. If required, provide increased capacity within the Ministries to review proposals, process applications and move projects forward in a timely manner.

Rationale

- Multi-month and many case years' worth of delays are resulting in longer borrowing periods and ultimately interest charges which create more expensive lots and homes once development proceeds (a one-year delay on a project can add well over $1 million in additional interest charges).
- Interest is money that goes to banks and does nothing to create jobs or benefit the broader Alberta economy. In many cases, developers are seeing approvals take between 2- 4 years.
- Addressing these issues will add billions of dollars of private investment and tens of thousands of new jobs to the economy. On three projects in Calgary there is currently $2 billion in private investment currently delayed and at risk simply due to an inefficient regulatory system surrounding wetlands and public lands. Applications were submitted over 3 years ago and there is no direction on when the project might be able to proceed.
- This is not a business environment that encourages investment. The cumulative impacts of these delays hurt homeowners, private business and discourage additional private investment in our economy. Delays or cancellation of projects, result in a reduced supply of housing on the market, directly impacting broader demand across the housing market, results in higher purchasing prices and therefore a lack of affordable housing options.

Impacts and considerations

- All construction industry sectors are impacted by these policies and procedures and there is significant inequity in application of powers between regions in Alberta and Government of Alberta Ministries.