

Good for our economy



Good for our environment



Good for our neighbourhoods



Recommendations for using the provincial tax system to encourage sustainable communities

**Presentation to the Select Standing Committee
on Finance and Government Services**

Bill Bennett, MLA, Chair

by

**Janet Cunningham, British Columbia Real Estate Association
Sylvia Sam, Real Estate Board of Greater Vancouver
M.J. Whitemarsh, Canadian Home Builders' Association of BC**

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**BRITISH COLUMBIA
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**Canadian
Home Builders'
Association**

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"Building a Better BC"

For More Information, Contact:

Steve Olmstead,
Manager, Government
Relations

British Columbia Real
Estate Association
1420 – 701 West
Georgia Street
PO Box 10123,
Pacific Centre
Vancouver, BC
V7Y 1C6

Phone: 604-742-2793
Fax: 604-683-8601
Email:
solmstead@bcrea.bc.ca

Harriet Permut,
Manager, Government
Relations

Real Estate Board of
Greater Vancouver
2433 Spruce Street
Vancouver, BC
V6H 4C8

Phone: 604-730-3029
Fax: 604-730-3101
Email:
hpermut@rebgv.org

M.J. Whitemarsh,
Chief Executive Officer

Canadian Home
Builders' Association
of BC
BCIT Campus,
Bldg. #NW5
3700 Willingdon Ave
Burnaby, BC
V5G 3H2

Phone: 604-432-7112
Fax: 604-432-9038
Email:
mjwhitemarsh@
chbabc.org

Writing:
Teresa Murphy
Desktop Publishing:
Jamee Justason
Editing:
Harriet Permut

Introduction

Improving the quality of life in our communities is a key priority for both the real estate and home building professions. That's why we support a quality of life program that includes five interrelated principles:

- ensuring economic vitality;
- providing housing opportunities that support affordability;
- preserving the environment;
- protecting property owners; and
- building better communities.

As BC moves to reduce greenhouse gas emissions by at least 33 per cent by 2020, two professions - real estate and home building - are working together. We're partnering to find solutions to address important quality of life issues, including how we can help reduce greenhouse gas emissions from homes and commercial buildings while maintaining affordability.

About 11 per cent of greenhouse gas emissions can be attributed to buildings - both residential and commercial - from their ongoing operation and maintenance. Another 15 per cent can be attributed to construction and industrial operations, and another eight per cent to construction waste.¹

This is far too high. Emissions from homes and commercial buildings can be significantly reduced to help the government meet its emission reduction targets. We can accomplish this by making constructing, buying and renovating green buildings more affordable.

Benefits of Green Buildings

Buildings that meet a green standard are more energy-efficient and environmentally sustainable. They reduce operating costs, optimize building performance and create markets for green products and services. They are also healthier and in the long-term reduce our health care costs, for example, by improving indoor and outdoor air quality and water quality.

Challenges

While builders, buyers and renovators see the benefits of green homes and buildings, they also know that they cost more to build, buy and renovate.² The decisions we make today have long-term impacts on how livable and vibrant our communities will be for generations to come.

Solutions

With estimated revenue of about \$1 billion this year, the Property Transfer Tax (PTT) offers a unique opportunity for the BC Government to play a major role in improving the quality of life in our communities. We encourage the BC Government to tackle the challenge head on by reinvesting PTT and PST revenues in a provincial, tax based pilot program, that we're calling the **Green Building Tax Incentive and Rebate Program**. It will help us respond to the challenges of growth in our communities by promoting the design, construction, renovation and purchase of green, environmentally sustainable, residential and commercial buildings.



Recommendations

We recommend the BC Government implement a **Green Building Tax Incentive and Rebate Program**. This pilot program would run for two years in geographically selected BC communities. Here's how it could work:

Number One: New Homes

That the Ministry of Finance reinvest revenue from the Property Transfer Tax to provide a PTT rebate to buyers of homes that meet or exceed the standards of the Canadian Home Builders' Association Built Green™ BC program for homes and multi-family units. Built Green™ BC focuses on four target areas: energy efficiency; indoor air quality; resource use (including waste management); and overall environmental impact.

How would our rebate program work?

A buyer of a:

- Home built only to the *BC Building Code* would not receive a rebate.
- Bronze level home would receive a \$2,500 rebate on the PTT payment.
- Silver level home would receive a \$3,500 rebate on the PTT payment.
- Gold level home would receive a \$5,000 rebate on the PTT payment.
- Platinum level home would receive a \$7,000 rebate on the PTT payment.

Built Green™ Rating System³

Level	EnerGuide Rating	Built Green™ BC Points Needed
<i>BC Building Code</i> ⁴	68-70	N/A
Bronze	72	75
Silver	75	80
Gold	77	85
Platinum	82	120

Number Two: Renovated Homes

That the Ministry of Finance provide a Provincial Sales Tax (PST) rebate on green products for home owners who renovate to meet the standards of Natural Resources Canada's ecoENERGY retrofit program for homes.⁵ Qualifying renovations could include any items on the Built Green™ Check List, for example, energy efficient appliances, heating equipment, cooling and ventilation equipment, windows, doors and skylights, lighting, and landscaping, including drought tolerant plants, permeable paving, and efficient irrigation technology that utilizes rainwater. From time to time, BC has in place PST rebates for some energy efficient improvements. However, the program has not been permanent.

Number Three: New Commercial Properties

That the Ministry of Finance use revenue from the PTT to provide a rebate to a buyer of a building that meets or exceeds the Leadership in Energy and Environmental Design (LEED®) Green Building Rating System™ certification which applies to commercial buildings or another similar program. LEED® addresses a variety of commercial buildings and building project types, including new construction and existing buildings. It focuses on sustainable siting, water efficiency, energy and atmosphere, materials and resources, indoor air quality, and innovative design.

How do LEED® ratings work?

LEED® certification applies to building projects that have demonstrated a commitment to sustainability by meeting higher performance standards in environmental responsibility and energy efficiency. LEED® certification is achieved through a point rating system with four categories: certified, silver, gold and platinum.

How would our rebate program work?

A buyer of a:

- Commercial property built only to the *BC Building Code* would not receive a rebate.
- Certified building would receive a \$25,000 rebate on the PTT payment.
- Silver level building would receive a \$35,000 rebate on the PTT payment.
- Gold level building would receive a \$50,000 rebate on the PTT payment.
- Platinum level building would receive a \$70,000 rebate on the PTT payment.

LEED® Rating System

Level	LEED® Point System
Certified	26-32
Silver	33-38
Gold	39-51
Platinum	52-70

Number Four: Renovated Commercial Properties

That the Ministry of Finance provide a PST rebate to renovators of existing commercial buildings who renovate to make their building more energy efficient and environmentally friendly according to the LEED® system.

Number Five: Local Government Initiatives

That the provincial government provide incentives to local governments to promote green development.

Benefits of our Green Building Tax Incentive and Rebate Program

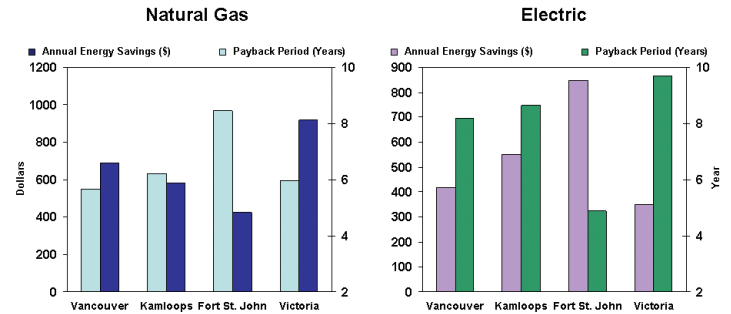
There are only 828 Built Green™ homes in all of BC. In 2007, about 1,200 Built Green™ homes will be added, which indicates we are making progress on this front. But, these numbers are still far too low. The best way to motivate builders, buyers and renovators to adopt green homes and development practices, is to give them rebates and incentives as we have proposed in this program.

Benefits of Going Green

Green Building	Benefits
One Built Green™ Gold home	Will save 2.5 tonnes of greenhouse gas emissions annually. ⁶
One 60-lot subdivision at the Built Green™ Gold level	Equivalent to taking 40 cars off the road every year. ⁷
One LEED® commercial building	<ul style="list-style-type: none"> Lease-up rates can be as much as 20% above market average; 30% energy savings; 35% carbon savings; 30-50% water use savings; 50-90% waste cost savings; a 1% increase in productivity equal to \$650 per employee or \$3 per square foot.⁸

Going Green Pays for Itself

Built Green™ BC Qualified Homes Pay for Themselves Through Energy Savings



Source: Built Green™ BC

How much will this cost?

Our initial calculations indicate that if the government had implemented **Recommendation Number One: New Homes** in 2006, this would have cost the government approximately \$9.1 million. This reinvestment of PTT revenue would have saved 4,550 tonnes of greenhouse gas emissions.⁹

Sample Calculation

In 2006:

- 36,443 new homes were built.
- Of these, only 400 or about 1% were Built Green™ homes.

What if:

- Just 5% of all new homes built in 2006 (1,820 homes) received a Built Green™ BC Gold rebate of \$5,000?

The results:

- Total cost to government: \$9.1 million.
- Benefit: 4,550 tonnes of greenhouse gas emissions are prevented entering our environment, annually.

¹ Trudy Rotgans, Manager, Building Safety and Policy Branch, Office of Housing and Construction Standards, *Email, October 4, 2007*. (The data originates from the Ministry of Environment).

² Canadian Home Builders' Association of BC reports that a green residential building costs four to six per cent more to build than a conventional home in BC.

³ Built Green™ BC levels contain energy components and sustainability components.

⁴ In southern BC, a home built to the *BC Building Code* has an EnerGuide rating of 68-70.

⁵ The federal government's ecoENERGY Retrofit program began April 1, 2007 to provide grants and incentives to home owners and small and medium-sized businesses to help them implement energy savings projects that reduce energy-related greenhouse gases and air pollution. This program has an extensive list of products that have been found to be energy-efficient.

⁶ Canadian Home Builders' Association of BC.

⁷ Canadian Home Builders' Association of BC. Each Built Green™ Gold home saves 2.5 tonnes of greenhouse gas emissions annually. A 60-lot subdivision would save 150 tonnes of greenhouse gases annually.

⁸ Colliers International, *Green Building for Landlords; Green Building for Tenants*.

⁹ Each Built Green™ Gold home saves 2.5 tonnes of greenhouse gas emissions annually.