

Request for Proposal

BC Non-Profit Housing Association

Tax Policy Incentives for the Acquisition of Purpose Built Rental Housing

Issue Date: [June 20, 2019]

Closing: [July 5th, 2019]

Please Email Submission to:

[BC Non-Profit Housing Association]
[brian@bcnpha.ca]

Questions may be directed via email to:

[Brian Clifford, Policy Manager
brian@bcnpha.ca]

BACKGROUND	3
SCOPE OF WORK	4
PROJECT REQUIREMENTS	5
PROPOSED PROJECT TIMELINE	6
REQUEST FOR PROPOSAL	6
<i>Contact Information.....</i>	<i>6</i>
<i>Company Profile</i>	<i>6</i>
<i>Experience.....</i>	<i>6</i>
<i>Proposal.....</i>	<i>6</i>
<i>Competency and skills.....</i>	<i>7</i>
<i>Fees and project budget.....</i>	<i>7</i>
<i>References</i>	<i>7</i>
<i>Team Member Resumés</i>	<i>7</i>
<i>Supplementary Information.....</i>	<i>7</i>
ITEMS REQUIRED UPON NOTIFICATION OF AWARD	8
<i>Insurance.....</i>	<i>8</i>
<i>Professional Liability (consultant errors & omissions).....</i>	<i>8</i>
<i>WorkSafe BC Coverage and Requirements.....</i>	<i>8</i>
EVALUATION PROCESS	9
<i>Submission Evaluation.....</i>	<i>9</i>
ADMINISTRATION	10
<i>Freedom of Information.....</i>	<i>10</i>
<i>Expenses.....</i>	<i>10</i>
<i>Disclaimer.....</i>	<i>10</i>
<i>Discrepancies or Omissions.....</i>	<i>10</i>
<i>Irrevocability of Proposals</i>	<i>10</i>
<i>Liability for Errors.....</i>	<i>10</i>
<i>Agreement with Terms</i>	<i>10</i>
<i>Modification of Terms.....</i>	<i>10</i>
<i>Language.....</i>	<i>10</i>
<i>Submission Protocol</i>	<i>11</i>

BACKGROUND

BC Non-Profit Housing Association (BCNPHA) is the provincial umbrella organization for the non-profit housing sector in BC, and provides programs, services, research, and education to strengthen the capacity of non-profit housing providers. Together non-profit housing societies manage more than 65,000 units of long-term, affordable housing in over 2,500 buildings across the province.

BC Housing develops, manages and administers a wide range of subsidized housing options across the province. It also licenses residential builders, administers owner builder authorizations and carries out research and education that benefits the residential construction industry, consumers and the affordable housing sector.

Housing affordability and homelessness are critical issues affecting communities throughout the province of BC. Adding to affordability pressures within many of BC's communities is a persistent erosion of the low-income housing stock, and particularly older purpose-built rental buildings. This rental stock offers a crucial affordable housing supply for low- and moderate-income earners, immigrant and refugee communities, single mothers, and other marginalized groups and is increasingly being demolished or redeveloped to house higher-income households. The erosion of this stock in BC has been notable, with small-scale rental buildings constructed before 1970 decreasing from 83,000 units in 2011 to 81,900 units in 2016, a 1.4 percent reduction.

BC Housing and BCNPHA are seeking to commission a piece of research that would examine a new vendor tax credit aimed at minimizing the sizeable tax liabilities that owners of small- and mid-size purpose-built rental buildings face on sale of the asset, if the sale is directed toward a non-profit or co-operative entity. In addition to developing a proposal for the vendor tax credit, the proposed work would examine other relevant federal, provincial, and municipal tax exemptions aimed at reducing costs for non-profit and co-operatives to obtain aging purpose-built rental. Finally, the study will model the incentive schemes using pro forma analysis, showing their potential impact on preserving affordable housing supply, as well as provide recommendations for further action.

SCOPE OF WORK

BCNPHA is in need of a study to outline and assess tax incentives aimed promoting the sale of aging purpose-built rental buildings to non-profit and co-operative housing corporations. Currently, owners of purpose-built rental face sizable tax liabilities upon sale of the building, and previous research has identified the potential for a vendor tax credit program to shield existing investors that have long term ownership of small to midsize rental properties if these assets are sold into non-profit or co-operative housing corporations. This project requires the successful proponent to outline such a vendor tax credit program, identify other relevant tax measures aimed at reducing acquisition costs, and model the potential effects of these incentives would have on preserving the existing purpose-built rental stock in BC.

Proponents are welcome to propose alterations or additions as part of their submission. It is expected that the successful proponent will work in collaboration with BCNPHA and study partners throughout all components of the work to confirm a detailed work plan. An advisory committee comprised of key industry stakeholders will be convened to provide input at project milestones. Attendance at project milestone meetings is expected. Presentations to stakeholder groups and at BCNPHA events may also be required.

There are two primary objectives of the study:

- 1) To understand the existing tax and policy environment surrounding the acquisition of existing purpose built rental buildings by non-profit and co-op entities;
- 2) To understand what tax policy shifts are required at the Federal, Provincial, and Municipal levels to create the right conditions for the acquisition of existing purpose built rental by non-profit and co-op entities, while maintaining existing rents in those buildings;

The study should address the following items:

- 1) An outline and proposal for a vendor tax incentive program aimed at addressing the existing tax liabilities owners of purpose-built rental face when selling their properties, if the sale is to a non-profit corporation. Specifically, the work should address the following tax implications:
 - I. The capital gain tax that is set at 50% of the value gain from the original purchase price, which is treated as income for the year in which the building is sold.
 - II. The recapture of Capital Cost Allowances (CCAs) upon sale of the building. CCAs are an accounting method that allow investors to depreciate capital assets (e.g. rental buildings) over the life they are owned, and current regulations allow for a depreciation rate of 4% per year on a declining basis. Upon sale of the building however, the owner is required to repay all of the CCAs that have been accrued over that owner's tenure.

These two factors lead to a significant tax liability for the sale of purpose-built rental, and act as a disincentive for owners to sell their properties. Owners of the property may simply hold on to the asset if it is maintaining positive cash flow, or, in more extreme cases, may decide to demolish the building so as to avoid CCA recapture.

- 2) Consideration should be given to other relevant federal, provincial, and municipal tax incentives that could support the acquisition of rental housing by non-profit and co-op entities. This could include, but is not limited to, exemptions from the provincial Property Transfer Tax, Provincial Sales Tax, and Government Sales Tax.
- 3) Building on the first two elements, model the proposed tax incentives using a pro forma analysis. This section would use recent sales or current listings to show in quantitative terms the effectiveness of the proposed incentives for sheltering existing tax liability.
- 4) The fourth component of the work requires the proponent to model the potential impact the proposed tax incentive scheme(s) would have on preserving existing purpose-built rental stock in BC, and what rent levels could be maintained upon acquisition by a non-profit entity.

PROJECT REQUIREMENTS

- I. Project initiation meeting
- II. Updated scope of work
- III. Tax Incentive study, comprised of:
 - a) An outline of a vendor tax incentive scheme, and other relevant federal, provincial, and municipal tax incentives
 - b) Pro forma analysis
 - c) Modeling the impact of the proposed scheme(s) for preserving BC's aging purpose-built stock
- IV. Draft Report
- V. Final Report

Project Initiation Meeting

The project initiation meeting will convene BCNPHA staff, study partners, and the successful proponent to provide an opportunity for feedback on the work plan, and ensure that all parties understand the study objectives and outcomes.

Updated Work Plan

After the project initiation meeting, it is expected that the successful proponent will update the work plan to reflect the outcomes of the meeting.

Tax incentive study

The study should cover all of the pieces in the Scope of Work outlined above. Each section of the report will require a meeting with the project partners to review and provide input on the proposed methodological approach for the study.

Draft report

The draft report will be submitted to BCNPHA and study partners for comment and review, no later than [date].

Final Report

PROPOSED PROJECT TIMELINE

- I. **Week of July 15th, 2019:** Project initiation meeting
- II. **Week of July 22nd, 2019:** Updated scope of work
- III. **Week of September 9th, 2019:** Draft Report
- IV. **Week of October 7th, 2019:** Final Report

REQUEST FOR PROPOSAL

BC Non-Profit Housing Association invites qualified and experienced consultants to submit a proposal for this project.

To ensure ease of proposal preparation and evaluation, proponents are required to submit their proposal using the following headings. Proposals must be ten (10) pages or less, not including resumes.

Contact Information

Proponents are to provide contact information for the project lead.

Company Profile

Proponents are to provide information on the history of the company, its size, vision, mission and purpose. The Profile should include the team involved in this project, what roles they will play, their credentials and the team structure.

Please clearly explain why the BCNPHA should retain your firm.

Experience

Proponents are to explain their experience working on similar projects, and specifically highlight any similar consulting experience gained in urban land economics, tax policy and research, and housing policy and research.

Proposal

Please explain how you/your firm propose to undertake this project. Please explain your proposed methodologies.

Please describe your expectations with regard to the roles and responsibilities of BCNPHA.

Competency and skills

Proponents will be expected to demonstrate experience and/or expertise with the following technical knowledge, attributes and skills.

- Tax policy research and analysis
- Housing policy research and analysis
- Urban land economics
- Pro forma analysis
- Quantitative modeling

Fees and project budget

Proponents are required to submit a fee proposal based upon the scope of work defined in the RFP and any adjustments recommended by the proponent.

Please calculate and list your project fee ensuring:

- Fee estimated for tasks outlined/anticipated
- Fee estimated for expenses: e.g. travel, accommodation, meals, communications and printing
- Total Taxes
- Total cost to complete the work including all taxes and disbursements

Please indicate your preferred Schedule of Payment. The total budget for this project is \$80,000.

References

References from two sources on similar projects are required.

Team Member Resumés

Résumé's of team members who are actively engaged in the project are to be included.

Supplementary Information

Supplementary information is not required but may be submitted.

ITEMS REQUIRED UPON NOTIFICATION OF AWARD

Insurance

The proponent must, without limiting its obligation or liabilities and at its own expense purchase and maintain throughout the term of this agreement the following insurances (with insurers licensed in Canada) in forms and amounts acceptable to BCNPHA:

- Commercial General liability in an amount not less than \$2,000,000 inclusive per occurrence against bodily injury, personal injury, and property damage and including liability assumed under this agreement. This insurance must:
 - Be endorsed to provide the Owner with 30 days advance written notice of cancellation or material change; and
 - Include a cross liability clause

Professional Liability (consultant errors & omissions)

- The successful Proponent must, without limiting its obligation or liabilities and at its own expense, purchase and maintain (with insurers licensed in Canada) throughout the term of this agreement Professional (Errors and Omissions) Liability Insurance protecting the supplier, and if applicable their insurable sub-contractors and their respective servants, agents or employees, against any loss or damage arising out of the professional services rendered by any of them under this agreement.
- Such insurance shall be for an adequate amount to BCNPHA and shall in any event not be less than \$500,000.

WorkSafe BC Coverage and Requirements

- Upon notification of award, the selected proponent will be required to produce evidence satisfactory to BCNPHA that it is registered and in good standing with WorkSafe BC.

EVALUATION PROCESS

Submission Evaluation

Proposals will be evaluated using the Evaluation and Scoring Matrix shown here.

	Weighting
Company Profile	
Scoring sub-total	10
Experience	
Scoring sub-total	15
Overall Proposal	
Scoring sub-total	15
Technical Knowledge and Proposed Methodology	
Scoring sub-total	30
Skills	
Scoring sub-total	20
Fee Proposal	
Scoring sub-total	10
Total	100

ADMINISTRATION

Freedom of Information

Submissions in response to this RFP will be treated in accordance with the relevant provisions of the Freedom of Information and Privacy Protection Act.

Expenses

Each proponent is responsible for bearing the costs, at their own expense, of preparing and submitting a proposal and any subsequent discussions with BCNPHA Consulting. Neither the Society nor BCNPHA Consulting are liable to pay such costs and expenses or to reimburse or compensate a proponent under any circumstances.

Disclaimer

BCNPHA reserves the right at their sole discretion to cancel this RFP or not to select any proposal.

Discrepancies or Omissions

Proponents finding discrepancies or omissions in the RFP documents or having any doubts to the meaning or intent of any part thereof should immediately notify Brian Clifford, by email at [brian@bcnpha.ca]. Any additional instructions or explanations will be posted on [MERX/BC bid website]. No responsibility will be accepted for oral instructions. Addenda or correspondence issued during the RFP period shall be considered part of this document and become part of the final Contract documents.

Irrevocability of Proposals

Upon closing time all proposals become irrevocable. By submission of a proposal, the proponent agrees that should its proposal be deemed successful, the proponent will enter into a contract with BCNPHA or the Society.

Liability for Errors

While the Society and BCNPHA Consulting used considerable efforts to ensure an accurate representation of the information in this RFP, the information contained in the RFP is supplied solely as a guideline for Proponents. The information is not guaranteed or warranted to be accurate, nor is it necessarily comprehensive or exhaustive. Nothing in this RFP is intended to relieve proponents from forming their own opinions and conclusions with respect to the matters addressed in the RFP.

Agreement with Terms

By submitting a proposal the Proponent agrees to all the terms and conditions of this RFP. Proponents who have obtained the RFP must not alter any portions of the document, with the exception of adding information requested. To do so will invalidate the proposal.

Modification of Terms

The Society in collaboration with BCNPHA Consulting reserves the right to modify the terms of the RFP at any time and in their sole discretion.

Language

All proposals are to be in English only.

Submission Protocol

All inquiries regarding this RFP should be directed to [Brian Clifford] by email only at [brian@bcnpha.ca].

Proponents are hereby warned that any attempt to solicit individual members of the HR Council and/or their appointed agents in regard to the award of the contract may jeopardize the favorable consideration of their proposals.

Proposals must be submitted by email as a PDF to [brian@bcnpha.ca]. Emails must be within the gateway requirements of 10MBs. As such, any submission larger than 10MBs should be split into smaller chapters and labeled appropriately.

The subject line must read: RFP# 2019-dd-mm.

Proposals must be received no later than 11:59pm, Pacific Standard Time, July 5th, 2019.

Proposals received after the specified closing time will not be considered. Proposals submitted by facsimile, in person, by courier or mail will not be accepted. For further clarity, proposals will only be accepted as a PDF file sent to the email indicated above. All others forms of delivery will not be accepted.

BCNPHA wish to thank all proponents for your efforts in responding to this exciting opportunity.