

Housing task force report both worthy, worrisome

BY TSUR SOMERVILLE AND THOMAS DAVIDOFF, SPCEIAL TO THE SUN JUNE 27, 2012



1. And the least affordable city in B.C. (and Canada) in which to buy housing is, not surprisingly, Vancouver. MoneySense points out that it work in, residents have high income, there are lots of doctors, lots of new cars and its jobless rate is way down the list. So when nearly every c Toronto-based magazine ranks it 56th in Canada. 56th?! *shakes head in disbelief, walks away to get a grande no foam latte before yoga clas

Photograph by: Mark van Manen, PNG files

The Mayor's Task Force on Affordable Housing released a report that as urban economists we find to be a mix of very good and very worrisome proposals. The intention of the report, to increase the supply of housing in Vancouver without compromising the high level of urban and environmental amenities that make our region so appealing, deserves applause.

The recommendations that charge the city with finding ways to speed up the development process, reduce fees and red tape, standardize procedures and encourage the market to provide more diverse housing forms are most welcome.

These recommendations all address the greatest barrier to the supply of new and more diverse housing: the city itself.

The web of regulations, constraints, and fees the government imposes and the incentives municipal governments create for land use restrict the supply of housing options and lead to the redevelopment of most land in Vancouver as large single-family houses.

The task force's emphasis on encouraging mixed-use development combining residential uses with other non-traditional uses also represents creative and forward thinking.

What we find to be extremely problematic and believe to be fundamentally flawed is the proposal to turn over the city's land assets to developers to build rental-only buildings that directly benefit a limited number of people at an extremely high cost to the rest of the city's residents.

Letting an open market determine the best use for this land is the most effective way to create the largest number of housing units, benefiting both renters and potential first-time buyers.

This city's plan will put cost-free long-term leases into the hands of developers, essentially giving them the land for 60 years or more, in return for building rental housing.

Instead, revenues should be earned from the sale of this land and used to help support families who most require rental assistance.

The cost to Vancouver residents of this plan is extreme. If 10,000 new "purpose-built" rental units are constructed under this program — a meagre eight-per-cent increase in the rental supply — the city would turn over \$2 billion in land value to developers. This represents the difference between the market value of the land and what a developer would pay to build purpose-built market-rate rentals.

We find this an extraordinary price to pay just to have buildings reserved for their economic life as rental only.

In Vancouver, our rental supply comes from older buildings, new strata units that investors acquire and rent out, and secondary suites. While non-traditional, this does supply rental housing. Moreover, academic research shows that the planned subsidized purpose-built rental units on city land will have a limited impact on the total rental supply because they will crowd out these other sources of rental units.

Building new units with below-market rents targeted to households that can afford up to \$2,000 per month in rent creates a different problem — a pricey subsidy for the select few who receive these units priced below market rates.

The revenues from selling city land in an open market could instead be used to fund a housing assistance entitlement for those most in need of help.

For our money, it's better to spend the public's resources on those who truly need it, rather than creating better choices for those who have options, even if these are not their preferred choices.

The task force's recommendations for permanent rental-only buildings runs counter to both the nature of cities and the market. It is ironic that we would trust market forces to supply our food but not provide both rental and owner-occupied housing without government intervention. This even as Vancouver has more renter- than owner-occupied units.

The idea of permanent rental-only buildings and a land trust to preserve the rental stock is counter to the fundamental nature of what makes cities attractive places to be: change and dynamism.

The task force recommendations that city resources be put to more efficient use, that the supply process be unshackled and the regulatory mechanism streamlined are welcome and economically valid.

Ultimately though, real progress on affordability demands a change in the actions of city residents. Vigorous calls for housing affordability are meaningless without a willingness to accept changes in land use in the single-family neighbourhoods that dominate the city's land base.

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