

# Editorial: Governments could soften blow of high home prices

## Affordability crisis requires fresh thinking by policy-makers

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Instead of looking the other way, politicians should consider ways to address the affordability crisis afflicting Vancouver's property market.

While government likes to argue that an unfettered marketplace determines housing costs, policy-makers have more discretion than they often care to admit.

In Vancouver, where housing costs are driving some into debt and cutting others right out of the market, remarkably little effort has gone into easing the pain of home buyers. The thinking seems to be that anyone who can afford a \$1-million home needs no help from government. And it is not as though people have stopped buying.

But when the average price of a single-family detached home in Greater Vancouver reaches \$1.36 million, as it did this month, arguably the average buyer of such an average home could use some help from government. (The board defines Greater Vancouver as the region west to Whistler, south to Tsawwassen and east to Maple Ridge.)

Provincially, the property transfer tax has become a cash grab, based on a percentage formula established in 1987, when the average home price in Greater Vancouver was about \$150,000.

The percentages have never been adjusted to recognize that home prices have soared.

Christy Clark's government, in its February budget, boosted the PTT exemption threshold — only for first-time buyers — to \$475,000. This will affect a scant number of purchasers.

At the same time, the budget lowered the threshold for phasing out the homeowner grant, providing a break on property tax, to \$1.1 million, from \$1.295 million.

It can be argued that lowering any of these taxes leaves a hole in the provincial budget. But the tax system is all about choosing which sectors of society to tax and how heavily.

Municipally, hundreds of millions in development cost charges and community amenity contributions are annually imposed on developers.

Such charges, the city argues, pay for municipal engineering changes required to accommodate new developments. They also pay for new parks, libraries, heritage preservation and child care resources.

Such investment is important. But lately, developers are balking at the amount of these charges and the behind-closed-door manner in which they're established. They point out that, inevitably, the levies are passed along to end users through higher pricing on condos and townhouses.

And for those in Vancouver opting to rent, they find the rental market increasingly tight. Because of rent control limiting yearly increases to 2.2 per cent in 2014, developers are less keen to build new rental housing.

Policy-makers are not actively contemplating ways to make Vancouver's housing market more affordable, taking a view if people want to over-extend themselves, let them.

But the truth is, buyers don't have all that much control. One reason why Vancouver is so costly is because it is a peculiar market with a temperate climate, attracting 30,000-40,000 new immigrant and foreign buyers annually.

In an open and free market, politicians may not determine real estate pricing, but they do have the power to soften the property blow a little. And they should.

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