

Fund transit by taxing land speculators

Infrastructure needed: Proposed solution can be 'win-win' for everyone and the environment

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The overwhelming No vote in the Lower Mainland transit plebiscite has generated frustration about how to move forward with improvements to transit infrastructure.

The No side ran a populist campaign against TransLink's management and interpret the results as a denunciation of any tax increase to fund transit. The Yes campaign's rush to champion a regressive tax and overlook TransLink's mismanagement cost them much needed credibility for what should be a popular endeavour.

Yet between these two positions, most people agree we need more rapid transit infrastructure:

to reduce congestion, make commutes easier, ensure environmental sustainability, and to navigate the skyrocketing property values that drive people farther from the downtown core. Instead of assuming that voters made the wrong choice, we should take it as a sincere vote against TransLink's mismanagement and a regressive tax shift.

There is a better solution, one that TransLink staff have already proposed as an alternative: Land Value Capture, also known as an Area Benefiting Tax. To translate in plain terms: pay for transit improvements by taxing some of the property appreciation that those improvements produce. Public infrastructure causes windfall gains for nearby property owners and developers. We could finance construction through government bonds, then repay those bonds over time with an incrementally higher property tax on nearby developable sites.



JENELLE SCHNEIDER/PNG

It's a solution that TransLink staff have previously proposed — the idea of paying for transit improvements by taxing some of the property appreciation that those improvements are able to produce.

Of course, this means real estate speculators won't make as much if they have to contribute, but if nothing is built they wouldn't make anything anyway. For the vast majority of Lower Mainlanders, it's a fair solution: those who directly profit from

a project can still make a reasonable profit and the tax burden isn't shifted to a regressive sales tax. It can be a 'win-win' for everyone and the environment.

One wonders why this wasn't the solution proposed in the first place: an Area Benefiting

Tax was among the options presented to TransLink and it has many benefits. Such a scheme has no "dead weight loss" — that is, unlike income and sales taxes, it doesn't stifle the economy and taxes speculation rather than productive activity. Because of the unique nature of land economics and contrary to what some might think, it wouldn't negatively impact housing affordability either. And finally, consumers are spared from being overcharged for purchasing everyday items, and businesses aren't subjected to another downward pressure on their sales.

This transit plebiscite was non-binding, and has squarely thrown the question of increased funding for Lower Mainland transit infrastructure back on the province.

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