

BALDREY: Housing much harder to solve than transit

[Keith Baldrey](#) / North Shore News

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View from **THE LEDGE** Keith Baldrey



Prime Minister Justin Trudeau flew into town late last week and began to solve one pressing issue facing Metro Vancouver and then found himself in the middle of another one where a solution may prove to be more elusive.

Trudeau followed through on a key election promise and provided almost a half-billion dollars for transit improvements, almost all of them in the metro region.

But no sooner did he do that with a lavish photo op at a transit station than he found himself facing questions about another major issue: the out-of-control housing market in Metro Vancouver.

The transit funding is for what is called Phase 1 of a multi-billion dollar plan for all kinds of transit and transportation projects in the region. Phase 1 will pay for more cars on various rapid transit routes, another SeaBus, various maintenance projects and pre-construction planning for two megaprojects: the Broadway subway line and the Surrey light rail lines.

There's no reason to think Trudeau won't bring his government's cheque book some months from now to help fund the next phase of transit improvements, which will include construction money for those megaprojects.

Of course, that is based on the assumption that Metro Vancouver's mayors will find a way to fund their share. The first phase was relatively cheap and so finding a way to pay for it – fare increases, some land sales and a minor property tax increase – wasn't a particularly onerous task for them. But the next phase is much more expensive.

The mayors are already making noise about getting a share of the province's carbon tax, but the odds of that happening appear remote, so they may have to swallow hard and reach into the wallets of municipal taxpayers.

As for the prime minister, he attended a roundtable discussion on the housing problem the day after his splashy transit event. He seemed less sure about things at this gathering, calling the housing situation a "crisis" but at the same time expressing concern that the wrong kind of action could make matters worse.

His hesitation here is understandable. Everyone seems to be a housing expert these days – journalists, real estate agents, developers and homebuyers – but I've seen no evidence that any one thing is unquestionably the root of the problem, nor evidence of a magic bullet solution.

Ask three economists what the cause and solution are, and chances are you will get a variety of answers, some of them contradictory.

Many point to foreign money flooding the market, but banning foreign investment outright may trigger a different kind of economic problem. Others say the housing supply itself has to be greatly increased.

The B.C. government is pressing Trudeau to change tax rules to make it easier to build rental properties, and for the federal government to once again build social housing. Provincial officials have told their federal counterparts to release federal lands that aren't needed to build more housing, to eliminate GST on all construction of new rental property and to reduce the capital gains tax on housing used for rental property.

This reflects B.C.'s position that the safest kinds of action can take place on the supply side of the equation, rather than trying to monkey around with dramatic devices on the demand side that could make prices tumble downwards.

A recent Bank of Canada study, for example, concluded that a 25 per cent reduction in housing prices would translate into 23 per cent of homeowners suddenly having their mortgages "underwater" (i.e. negative equity) and seven per cent would then have a gigantic, unsupportable debt load.

The B.C. government itself is likely to give the City of Vancouver the power to tax vacant property owners, provide incentives to municipalities to encourage high density housing along transit lines (particularly rapid transit stations) and will perhaps do some tinkering around foreign ownership. So caution seems to be the watchword for both political leaders on this issue.

And our new prime minister is about to discover that signing a big cheque to pay for things like transit is much easier than finding the right kind of action to deal with the explosive housing market.

Global TV's political correspondent Keith Baldrey writes every week on provincial issues. He can be reached via email at Keith.Baldrey@globalnews.ca. (mailto:Keith.Baldrey@globalnews.ca)

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