

21 May 2016 The Vancouver Sun Thomas Davidoff is director of the Centre for Urban Economics and Real Estate at the UBC Sauder School of Business.

Governments need to act on affordability

Municipal leaders can start by stopping ‘snob zoning,’ Thomas Davidoff writes.

Should Vancouver’s motto be: ‘Champagne kisses and caviar dreams?’ Thomas Davidoff, director, Centre for Urban Economics and Real Estate at the UBC Sauder School

Imagine a candidate for office saying: “I promise to meddle in real estate markets and set taxes to hurt workers, businesses, and the environment. I will drive families out of Vancouver to empty and close its schools, while overcrowding suburban schools. Why? To subsidize luxurious homes for rich people who pay taxes elsewhere.” Would they have your vote? Federal, provincial, and local politicians have delivered on this platform, presumably unintentionally. Their choices have helped make Vancouver extremely unaffordable.



By banning apartments and townhomes from land in Metro Vancouver, money is pushed into luxury single family homes.

↗ This is called "zoning" - which is the result of community planning by the community and the drafting of an Official Community Plan which provides certainty in planning. - cjk

Low property taxes and high income and sales taxes punish people who live and work in Vancouver, but reward real estate investors, particularly those who got rich elsewhere.

To help renters, business owners, and working families, the obvious response is to cut income and sales taxes and raise property taxes. However, simple tax reform would likely hurt some homeowners, so politicians have shied away.

At UBC, we have put together tax and planning initiatives to offer better alternatives. Over 40 UBC and Simon Fraser University economists endorsed a plan to make taxes serve working families better without hurting older homeowners (See: housingaffordability.org). Our plan keeps property taxes low, but only for landlords or for owners who pay local income taxes, receive Canadian pension income, or are longtime residents. Extra property taxes paid by investors who pay income taxes elsewhere could be used to make life easier for locals. Tax-sensitive investors would sell or rent homes not used to house the local workforce, making housing more affordable

While federal and provincial leaders wait to decide whether to act on our plan, there is plenty that municipal leaders can do. First, do no harm: stop the “snob zoning” that forbids people who aren’t rich from living on most land in and near Vancouver.

The more expensive land is, the more money builders invest in it. In a free market, supply would meet demand in Vancouver with apartment buildings and townhomes.

Instead, apartments and townhomes are banned from most land in Metro Vancouver. Money that would build more housing units is pushed into luxury finishes on single family homes, and luxurious single family homes with yards on prime land are unaffordable to anyone who isn’t rich. Even billionaires can’t afford single-family homes with yards in places like Manhattan and San Francisco: townhome and apartment developers can pay more for land. Single-family zoning subsidizes homes for the global elite.

Snob zoning is also bad for the environment. Households are pushed out of Vancouver and into long commutes. Nobody wants a tall apartment building next door, so perhaps market building heights should be trimmed. But banning working households to preserve the “character” of luxury enclaves is indefensible. Should Vancouver’s motto be: “Champagne kisses and caviar dreams?”

Politicians’ recent baby steps toward righting policy wrongs have been inadequate. Almost all development projects in Vancouver are still single family, so not nearly enough has been built to match surging demand. The province has cut taxes on the sale of inexpensive homes, which mostly benefits sellers. “Shadow flipping” is a symptom, not the cause, of our largely self-inflicted home price bonanza.

We need leadership on taxes and zoning. No single development will make our region affordable. Only angry neighbours typically bother attending rezoning hearings: one project is not worth renters’ time.

But individual choices add up. Provincial or federal law should force local regulations to make sense for the region, not just immediate neighbours.

The UBC Centre for Real Estate and Urban Economics is hosting a public discussion on May 24 from 4:30 p.m.-6 p.m. at UBC’s Point Grey campus. Panellists will include homeowners, the City of Vancouver, a member of the provincial legislature, the media, the development industry, and academia.

Our aim is to reach agreement on how to add density to all neighbourhoods to add opportunity without compromising amenity.