



Development charges take away affordability

Municipalities put costs where they don't belong

BY PETER SIMPSON, SPECIAL TO THE SUN MARCH 12, 2011

Why do representatives from the homebuilding industry have to continually tell legislators across this vast country how their actions affect housing affordability? Shouldn't they already know that?

These elected individuals - coached by senior advisory staff, some of whom wouldn't step out of their don't-rock-the-boat comfort zone if their feet were on fire - pay lip service to the concerns of various housing groups, then vote in favour of raising development charges, fees, levies and other taxes, all of which place heavy burdens on homebuyers, particularly here in the Lower Mainland.

For years, the issue of housing affordability and choice has been top of mind, yet lawmakers continue to make decisions that put home ownership out of reach for many young folks. There outta be a law.

The federal finance minister recently announced a tightening of mortgage lending rules, effective March 18. Please, spare me the lecture that government acted to save Canadians from themselves, that families need to get their household debt in check before they can be allowed outside to play.

Some economists - many of them naysayers in training - occasionally don their black cloaks and announce to the world that the end is nigh. The media, on a slow news day, report their musings.

Their 15 minutes of fame achieved, the econo-mystics retreat to obscurity. Don't forget, if you lined up, shoulder to shoulder, all the economists in the world, they still wouldn't reach an agreement.

In case you think I have it in for economists, I don't. I have a great deal of respect for many local economists and housing analysts - Helmut Pastrick, Cameron Muir, Tsur Somerville, and others.

Nationally, there are, to name just three, Peter Andersen, Warren Jestin, and Canada Mortgage and Housing Corp. chief economist Bob Dugan, who recently commented on the household-debt issue.

Dugan said Canada's debt-to-income ratio is not high compared to other countries. "Canadians are not in any difficulty. While their debt has increased, their level of assets is five times their level of debt, and their debt-service costs are low relative to income. They are in good shape," he said.

The newly elected president of the Ottawa-based Canadian Home Builders' Association, Vince Laberge of Edmonton, believes the federal government's action on mortgage rules might be akin to the pot calling the kettle black, and he urged lawmakers at all levels of government to match the tightening of mortgage rules with reductions in government-imposed costs on home ownership.

"While some homeowners have been using their homes as ATMs, many governments have been doing exactly the same thing. In principle, there is no difference between policies that lead consumers or governments to use new homes as a source of funds. Both threaten access to home ownership and the financial well-being of homeowners. Both threaten housing markets and the economy," said Laberge in a recent address to the nation's home builders and renovators.

Many times, in this column, I have chronicled how government-imposed charges in this region can add more than \$100,000 to the price of a new home, most of it lumped on to a mortgage.

Throughout the recession-ravaged U.S., local governments, which relied heavily on development fees to pay the bills, learned a hard lesson when the cash cow stopped producing. Municipal officials were forced to cash in investments and sell public assets to avoid insolvency. Some didn't make it. Some municipalities here are finding ways to have new development pay for community amenities, such as public art and synthetic-surface sports fields. If those amenities are deemed to benefit the whole community, they should be financed by the whole community, not just new-home buyers.

Laberge said this municipal reliance on development charges for basic urban infrastructure virtually doubled in Canada between 1995 and 2007, a period of stronger housing markets.

"It is truly amazing how ingenious governments can be in transferring costs to new-home buyers as well as existing home buyers wishing to renovate. Every device imaginable is used, from hijacking building codes, to manipulating planning and approvals processes," said Laberge.

"Whether such costs are imposed directly or indirectly, it is a financial shell game. Governments simply move public expenses off the books by shifting them onto new-home buyers," he said.

Laberge said he finds it outrageous to force new-home buyers to pay for social policies that should be paid by society as a whole. "This misguided practice allows governments, particularly at the municipal level, to avoid dealing with the true cost of running our communities and the financial discipline required to meet these costs in a prudent manner," he said.

Laberge wants municipalities to make better use of debt financing when investing in community services, including basic infrastructure. "The prudent use of public debt shifts the burden of those costs across the whole community and across future generations that will benefit from it," he said.

The federal government recently announced the creation of a Red Tape Reduction Commission. That's a good thing. Effective regulatory reform requires all levels of government to work together. It's time to lose the mind-numbing bureaucrospeak, and get down to some meaningful plain talking.

Locally, I have agreed to serve on Surrey Mayor Dianne Watts' new Red Tape Committee. Given the enormous economic impact a healthy residential construction industry has on a community, instead of enshrouding progress in red tape, municipalities should be rolling out more red carpet.

REMINDER: The 17th annual free First-time Home Buyers Seminar, produced by the Greater Vancouver Home Builders' Association and presented by the Homeowner Protection Office, Branch of B.C. Housing, will be held March 22 in Surrey. Register online at www.gvhba.org or call 778-565-4288.

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