

# Barbara Yaffe: Liberals decline to seriously address affordability crisis

BY BARBARA YAFFE, VANCOUVER SUN FEBRUARY 16, 2016



B.C. Finance Minister Mike de Jong delivered the 2016 provincial budget in Victoria on Tuesday.

**Photograph by:** CHAD HIPOLITO, THE CANADIAN PRESS

Facing overwhelming public pressure to introduce a budget that would tackle the Lower Mainland's housing affordability crisis, B.C.'s finance minister surprised many on Tuesday by doing very little on that front.

Responding to reporters' questions before delivering his budget, minister Mike de Jong said he was not inclined to act in a way that would depress housing prices or discourage people from moving to B.C.

"We govern for the whole of British Columbia, not just a few neighbourhoods."

And so, his housing-related budget measures were modest, reflecting the Liberals' long-standing reluctance to interfere with free market forces that have turned the Lower Mainland's real estate sector into a home equity gold mine for those already invested, and a magnet for foreign investment that has boosted B.C.'s overall economy.

Changes announced do not involve any meaningful new spending by the province, which clearly intends to leave it to the private sector to accelerate home construction and to encourage city governments to lower their municipal permitting charges.

The changes include:

- A Robin Hood strategy to have buyers of homes selling for more than \$2 million pay slightly more Property Transfer Tax — estimated to total \$75 million annually — in order to finance a \$75-million break in that same tax for those qualifying for a New Housing Exemption.

The transfer tax exemption will apply to newly built homes only, valued up to \$750,000. To qualify, homebuyers must be Canadian or have permanent residency.

It is estimated that some seven per cent of homebuyers will pay marginally more transfer tax on homes valued in excess of \$2 million, while about 22,000 new homebuyers with appropriate citizenship status will get the break.

The B.C. Real Estate Association reacted by stating that the province could have offered broader relief, and should have indexed the tax rates since home prices are changing so rapidly.

A pre-existing program, offering first-time buyers a transfer tax exemption on houses up to \$475,000, does not change.

- An amendment to provincial law will mandate the collection of citizenship status of all homebuyers, starting this summer.

"These changes will generate data that will allow government to monitor the volume of foreign investment," noted the budget documents, "and assess what effect, if any, they have on pricing."

That said, de Jong was entirely noncommittal about ever acting on the data.

Despite the minister's reluctance to introduce significant measures on housing affordability, he was willing to lend a shoulder to cry on.

"British Columbians," he declared in his speech, "are seeking explanations and solutions for a sharp rise in the price of houses ... particularly in the Lower Mainland."

The government is caught between a rock and a hard place. Liberals recognize that, a year before an election, housing has become an incendiary political issue and are willing to empathize with a fretful and infuriated public, many of whom are shut out of the property market.

But they are not willing, as they see it, to kill the golden goose. A lot of folks who vote appreciate their own mounting home equity. That, and the fact that real estate and related industries are adding to provincial GDP.

The last thing the province wants to do is turn off the wealthy foreigners coming here with their cash.

"Our government continues to welcome, indeed, encourages those who choose to come to our province to invest, create new jobs and hopefully make their lives here, contributing to the social and economic fabric of our communities," de Jong said.

The province appears to be saying that it prefers to leave it to free market forces to address the housing crunch, through the creation of more housing.

"Increased densification is a tool government can use," said de Jong, "to promote the construction of affordably priced housing and offset the factors driving prices."

In other words, the B.C. government will stay on the sidelines and sympathize, rather than attacking the affordability crisis head on.

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