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REAL FIXES TO HOUSING

A report on Vancouver's housing affordability crisis released this week is a useful document to help policy-makers filter out the noise and focus on appropriate responses to our manic real estate market.

While author Josh Gordon, an associate professor at the School of Public Policy at Simon Fraser University, doesn't break new ground, he has neatly assembled the known data — which he admits is not as comprehensive as he would like — that point to the cause of and solutions to Vancouver's residential real estate bubble.

He dismisses oft-cited reasons for the real estate frenzy — the desirability of Vancouver, its constrained geography, low interest rates, a strong local economy, poor municipal zoning and insufficient investment in social housing — and lays the blame squarely on foreign capital, mainly from China, flowing into the Vancouver market.

Since government is largely responsible for encouraging this deluge of capital through the Business Immigrant Program and its offshoots, it's up to government to solve it.

Having identified the culprit, steps to deflate the bubble become clear. His main proposal is the introduction of a progressive property surtax, an idea first floated in a Jan. 13 opinion piece in The Vancouver Sun by his colleague Rhys Kesselman, Canada Research Chair in Public Finance at SFU's School of Public Policy.

The surtax would apply only to properties valued above \$1 million, the rate rising with each \$1-million increase in value. By making the surtax deductible, so it would be offset for those who paid income tax the previous year, it would target foreign buyers, non-resident owners and tax evaders.

Other proposals include better tracking foreign investment and money-laundering, imposing a tax on all foreign property purchases, limiting foreign buyers to purchases of new housing and/or to only one property, and allowing foreigners to buy property in Canada only if Canadians have reciprocal rights and are allowed to buy freely in their home countries (note that China has restrictions).

These are the sorts of actions all levels of governments should be discussing in order to bring about an orderly deflation of the housing bubble and restore a reasonable balance between prices and incomes. The sooner they do so, the better.