

Causes and Solutions Are Easy to See

Canada's cities are not the first to suffer housing affordability woes. Why can't we adopt the successful strategies used around the world?

BY SAMANTHA GALE



Canadians, particularly those in major urban centres, have been immersed in a debate about housing affordability woes for over two years now. However Canada, by many accounts, is a newcomer to this issue. This discussion is old news in places like Tokyo, Hong Kong, New York, England and many parts of Europe.

London has actually been grappling with housing affordability solutions dating back over a century. Even though housing prices in London have fallen steadily over the past four months, new London

residents still face an uphill battle getting a mortgage application approved which will sufficiently qualify them to buy a home. The British Office for National Statistics recently reported that “Prospective first-time home buyers in London in 2017 could expect to spend 13 times their earnings on property.” Housing analysts in Britain routinely bemoan the lack of skilled labour, stonewalling on development approvals by local governments and the challenges with enticing developers to build less lucrative, more affordable housing.

The London discussion sounds eerily familiar to some of us in Toronto, Vancouver and other Canadian urban centres. We know here in Canada that government regulation slows down the building of housing, adds to building costs and limits densification, but three expert reports have been released in recent months which add some colour and texture to these problems.

One report, issued by the C.D. Howe Institute in May of this year, yields some truly alarming results. The authors found that housing prices are being driven upward because of excessive government regulation. The top eight cities with the most rigorous regulation (Vancouver, Abbotsford, Victoria, Kelowna, Regina, Calgary, Toronto and Ottawa-Gatineau) paid “an extra \$230,000 on top of construction costs per new single-detached house between 2007 and 2016.”

In many Ontario municipalities, local government rules were found to add over \$100,000 to the price of a single detached home. The good news is that the C.D. Howe authors’ empirical review of data determined that a modest increase in available land for housing development coupled with a reduction of development and zoning costs “would reduce the price of housing by more than \$70,000 in Toronto and the Peel and Durham regions, \$90,000 in Halton Region, more than \$100,000 in Hamilton and nearly \$125,000 in York Region.”

Vancouver without doubt wins top spot for being the most regulation-heavy building jurisdiction in Canada. When looking at the West Coast, the authors found that compliance with municipal regulations adds an astounding “50 per cent of the cost of housing in the Vancouver area.” In dollar amounts, zoning rules, taxes, fees

and development charges add more than \$640,000 to the cost of building an average new home. Elimination of these regulations would clearly result in more market housing, which the authors believe would meet market demand.

A second recent report authored by James Tansey from the University of British Columbia's Sauder School of Business came to similar conclusions. Tansey maintains that the province of B.C. has not implemented sufficient measures to ensure the increase of the housing supply. He suggests that the province needs to undertake a key role in ensuring that municipalities create supply. Decision-making across individual municipalities is fragmented and the provincial government needs to step in to develop a coherent strategy to encourage the development of affordable housing across the province and in each municipality.

Each year, Metro Vancouver receives approximately 35,000 new residents and 140,000 foreign students and temporary workers. However, the province does not have a cogent plan to accommodate this influx. Tansey concludes that "In addition to a stronger plan for the region, the province could establish performance standards and maximum wait times for permitting, formalize Community Amenity Contributions and transfer revenues from housing-related taxes to municipalities to build capacity."

Tax and appraisal expert Paul Sullivan confirmed Vancouver's addiction to real estate fees and taxes while speaking at a recent Vancouver Housing Forum. In his tally, 26 per cent of the purchase price of a new apartment costing \$840,000 is due to government taxes and fees, which in dollar amounts is a jaw-dropping \$220,256.

The solution to housing affordability seems simple: we need to build more housing and in particular more market housing. Of course the execution of this strategy is much more complex, particularly given the tax-and regulation-heavy environment which the housing industry and homeowners need to manoeuvre around. However, if we step back from the endless debates about taxing foreigners and speculators, capping rent increases and pumping tax dollars into social housing, there are, as laid out in

these three reports, clear solutions.

Just take a look at the city of Tokyo. Three decades ago, it was in the midst of a housing crisis just like the one we are experiencing now in our Canadian urban centres. Yet Tokyo currently has a staggering population of over 39 million residents – 50% more people than any other city, worldwide. However, rental rates have been steady over the last 20 years, with the average rent being about US\$2.50 a square foot. Despite a recent surge in housing demand, as of last January, the average price of a newly constructed single-family house within Tokyo was the equivalent of \$780,000 (Canadian) and only \$510,000 (Canadian) in its western suburbs.

Tokyo has avoided urban sprawl, and instead of housing people in ever diminishing square footage, it has increased people's living space by approximately 28 per cent. If Tokyo can figure this out, then perhaps we should take note of how the city achieved this success.

The answer is simple. Tokyo built a record amount of market housing, complimented by smart and efficient transit systems. The national government made a bold move over 30 years ago by enacting legislation to force local governments to radically simplify zoning rules and eliminate permit approval wait times. This allows all Japanese cities to supply enough housing to keep up with demand.

There is nothing to stop our provincial governments from following Japan's lead. We know that cities must grow and adapt over time. The discussion on how to shape that growth surely must come from a higher level so we can move away from partisan community politics and old fashioned NIMBYism (from Not In My Backyard), which generally opposes any neighbourhood change. It is time for all levels of government to step up and listen to the experts to find real, tangible solutions to our housing affordability problems. ■



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