

BC 2020 Election In-Depth Housing Platform Analysis

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Our province tolerates by far the largest gap between average home prices and the local incomes earned by hard working younger residents.

Have we made progress toward reducing the massive gap between home prices and earnings since the last election?

Only if progress means the problem did not get worse as much as it did before 2016.

The [data](#) reveal that important but modest housing price declines between 2017 and 2019 are not persisting, even as people struggle more than ever to pay their bills because of the pandemic. The rental market has generally worsened since the last election.

Against this reality, the housing promises made so far during the 2020 BC election are...
underwhelming.

The NDP promises

We have the most detail from the BC NDP. This may reflect that it called the election a year before the legislated-date around which other parties may have been organizing.

The NDP [promises](#) are generally a continuation of the 30-point Housing Plan that it has featured during its three years in government, with important leadership by Minister Selina Robinson.

The platform features:

- Freezing rents to the end of 2021 and capping increases after that.
- Providing the renters rebate of \$400/year for households earning less than \$80,000 annually, which it promised in the last election.
- Addressing loopholes in regulations that have allowed strata insurance costs to rise.
- New rent supplements for people moving on from supportive housing.
- And some (vague) language regarding objectives to reduce construction costs, delivering a steady supply of below-market housing, homes for indigenous people, and supportive housing to reduce homelessness.

It must be said that the NDP's 30-point plan has coincided with BC's housing affordability crisis not worsening as much as it had in the years prior to the previous election.

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It's efforts to dial down harmful demand via scaling up the foreign buyers' tax, adding the badly named 'speculation tax' which primarily taxes empty homes, and adding some progressivity to property taxation by moderately increasing levies on homes over \$3 million (which means they have more opportunity to cut taxes on people's earnings) have likely contributed positively to slowing down the pace at which home prices had previously skyrocketed.

NDP efforts to scale up the non-profit housing market are also appropriate, required, and worthy of acceleration. But it's not clear that these election promises contribute sufficient acceleration. We're waiting on word from our partners at the BC Non-Profit Housing Association to weigh in with their expertise on this issue, and will forward along via our social channels.

The "rent control" measures offered by the NDP remain understandable from the perspective of wanting to protect current renters from having to routinely increase the share of their earnings that are required to pay rent. Some tenants advocacy groups will point out that "vacancy control" would be more effective so that the "rent controls" don't incentivize landlords to evict existing tenants in order to raise the rent when the unit is empty. Given that annual rents for two-bedroom purpose-built rental apartments have increased by thousands of dollars since 2016, one understands the motivation to call for limits to rent increases on units when there is a change of tenant.

No matter where the NDP move with rent and vacancy control, at a systems level, the NDP will have to figure out how to counter any disincentives that rent control creates for developers who may be discouraged from building new rental supply. Ultimately, we need more rental units to help reduce rising rents, since demand for rentals are on the rise, because home ownership has been pushed out of reach for many BC residents by comparison with the past.

So far, my observations are about the details of specific NDP recommendations. This risks getting lost in the weeds. Because, at bottom, we must ask whether it is good enough to have a plan that results in housing affordability "not worsening as much" as in the past. "Not worsening as much" is not the same as restoring affordability, forever. Regrettably, it's not clear what evidence exists to suggest that the current trajectory of the NDP's 30-point Plan is on track to restore affordability. However, this is certainly not a problem that is unique to NDP promises. More on that below.

BC Liberal promises

The BC Liberal Party has a 24-bullet housing affordability plan that can be found primarily on pages 20 and 21 of its [platform](#). Some of those bullets are very specific (more below). Many others are general statements for which there is likely little disagreement in the province: eg. "improve the municipal development approval process, based on best practice;" or "increase the supply of fully-accessible units for persons with disabilities in newly-built multi-unit residential buildings;" and "provide energy-efficiency rebates on rental renovations."

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The BC Liberal plan focuses primarily on growing the supply of available housing. This includes a focus on incentivizing the development of rental units, which is important; and a part of the Liberal platform that is especially detailed. The platform aims to:

- address concerns by some property owners that “Rental only” zoning diminishes the value of their properties;
- reduce property taxes paid by owners/operators of purpose build rental units; and
- provide additional tax incentives to encourage building more purpose-built rental supply.

While such promises are in line with thoughtful recommendations advanced by developers of rental supply and landlord organizations, the BC Liberal platform speaks less directly to concerns articulated by tenants. For example, the BC Liberal platform commits to “ensure no net loss of rental units in real estate redevelopment projects.” While that promise might sound unobjectionable, our province now has plenty of experience with “renovictions” and “demovictions.” As a result, public dialogue is now much more sophisticated than is the BC Liberal platform on this issue. The concern among tenants is that redevelopment of units results in their being dislocated because they cannot afford the new units. Several thoughtful dialogues have taken place between developers and tenants’ organizations about this issue, including at the Burnaby [Mayor’s Task Force on Housing Affordability](#). The BC Liberal housing policies would be stronger if the platform engaged more directly with issues related to tenant relocation policy.

Beyond its focus on rental supply, the BC Liberal party promises to “establish an incentive fund for municipalities with housing policies that enable demonstrable increases in the construction of supply and new housing.” This would be an important provincial policy change for which Gen Squeeze has called, because it would provide some “political cover” to municipalities when they face NIMBY backlash to rental and other projects. It would provide this cover, because the incentive fund would require Mayors and Councils to explain to their residents that in order for their city to receive the largest share of provincial dollars available for housing, *the province is requiring* that the city meet targets for new supply. Municipal politicians could then deflect some of the risks involved in local electoral politics *by pointing to the provincial requirement*, without which they may be more likely to hesitate approving new supply.

The “incentive fund” may be particularly useful in combination with the BC Liberal promise to “require reviews of Official Community Plans every five years that are public, robust and transparent; require that zoning bylaws then be updated to reflect changes to the plan within one year of adoption; and allow for the waving of hearings for Official Community Plan compliant projects.” If you want more housing supply in your communities, this could be a game changer, because it appears to promise that a BC Liberal government would require many cities to “prezone” for new density in ways that streamline, or reduce the need for some parts of, the application process that are a time-consuming part of the status quo for getting new housing supply built.

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However, any such rezoning will quickly contribute to significant increases in the value of land where new density becomes permitted without an application. Those increases in value will create windfalls for existing owners that will further exacerbate housing wealth inequalities that are now rampant in the province. So the incentive fund and rezoning would best be implemented with a commitment to capture for the public a fair share of the windfalls created entirely by the public policy decision to rezone for more density. This bullet is missing in the housing policy plan of the BC Liberals – and therefore could be a problem.

One might read that there is some room for this conversation in the BC Liberal platform, because it mentions multiple times a promise to establish an “independent Fair Tax Commission comprised of non-partisan economic experts to immediately review all provincial taxes, and to recommend which should be adjusted, reduced or eliminated to most effectively fuel economic recovery.” Gen Squeeze called for such a commission in the last election – so we think it is a good idea, and hope that we would be invited to contribute our expertise on the commission. It’s noteworthy that two of the three mentions of this promise in the BC Liberal platform refer only to “reducing” or “eliminating” taxes. I flag in this blog the description of the promise on page 6 that includes the word “adjust”, because that word is critical if the promise of a Fair Tax Commission is to be useful. While Gen Squeeze thinks reducing taxes makes sense in some areas – like our suggestion to shift taxes away from earnings for middle and lower-earners, especially renters – other taxes need to be increased to compensate. Capturing housing wealth windfalls is a prime example where increased taxation is appropriate, and needs to be on the table for discussion.

When it comes to cutting taxes, the BC Liberals [promise](#) to eliminate the existing provincial ‘speculation tax’, which primarily taxes empty homes in parts of the province that have especially hot housing markets; and replacing that tax with a new “presale condo flipping tax.”

I’m on the record supporting the ‘speculation tax’ on empty homes – not because it is some panacea. But because it is one tool among many, many in the tool box that we need to use simultaneously to restore affordability. The tax in no ways limits someone’s freedom to have an empty home, or a second home that they don’t use that much. It simply says that in a province where housing unaffordability has grown so problematic, it’s a relative privilege to have that empty or underused home. Given that privilege, we will increase slightly what those with this privilege are asked to contribute, so that we don’t have to raise taxes on earnings, or have a better chance of lowering them. We will also use this policy to signal that any others considering buying homes in which they don’t intend to live regularly should expect to contribute slightly more in taxes than before the speculation tax existed. Perhaps this may change their calculus and encourage them to invest outside of residential real estate if their primary objective is to park money in real estate without making the home available for others to live in.

While the BC Liberals would cut the ‘speculation tax,’ they also promise in the platform to “implement higher property-taxes for non-residents of Canada, to help prevent inflation of

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housing prices caused by foreign investors.” This promise is ironic, because the ‘speculation tax’ performs just his service for British Columbians. The difference is that the ‘speculation tax’ also targets Canadian residents who don’t live in BC, and some British Columbians who are lucky enough to have a second home. According to the [BC government](#), not even 1% of British Columbians are currently subject to the ‘speculation tax.’ The BC Liberals’ version – what we might call the “spec-tax-lite” aims to reduce this number still further... toward 0%. Does that mean no British Columbians speculate in the housing market???

While I don’t think evidence provides good reason for the BC Liberals to scrap the ‘speculation tax’, I do think they have a good idea proposing to add taxation to the capital gains earned by people who purchase, and then flip, presale condos. Generally, I think our province has good reason to discourage all kinds of flipping of residential real estate.

It’s worth noting, however, that my colleague Professor Tom Davidoff, who is another strong housing policy researcher, [encourages caution](#) about collecting capital gains taxes specifically from the flipping of condo presales. He encourages caution because of the important role, and level of risk, that presale purchasers take on when financing the construction of new supply.

Green Party promises

The Green Party has so far offered fewer specific policy recommendations in its [platform](#) (p. 9) to restore housing affordability than the party did in the previous election. That likely reflects the BC Greens were in a leadership race until just days before the election was called.

The strength of the Green platform is that it begins with a clear goal on affordability, by adopting the Gen Squeeze recommendation that all parties embrace the goal that every resident of BC can afford a home that meets their needs by 2030. As I discuss below, it is very important that the Greens have formally adopted this 2030 goal.

In service of this goal, the Green platform includes a number of bullet points that refer in broad strokes to the importance of expanding co-op housing, rental housing run by non-profits, and “missing middle” housing, addressing the rising cost of strata insurance, while also closing “loopholes” related to the “speculation tax” and “bare trusts.” Few details accompany these broad commitments, so it is not yet clear how the Green party intends to deliver on them.

The Green party’s most specific housing policy recommendation in 2020 is a [“rental housing grant.”](#) The Greens promise to target this grant to low- and moderate-income earners to help cover the portion of rent expenses that absorb more than 30% of their income. The Greens budget \$500 million for this promise.

There are no details to indicate how much individual households could expect to receive. As a result, it is unclear whether the Greens plan to be more or less generous than the \$400 annual renters’ rebate proposed by the NDP. Given that the Greens budget \$500 million for this

promise (which we assume is for a single year), and the NDP budgets \$144 million/year for its housing affordability commitments (which includes the renters rebate), there is reason to anticipate that the Greens intend their benefit to be higher than \$400/year. But more information is ultimately required before we can draw this conclusion.

Are any of these platforms up to the task?

Not yet. As discussed, the NDP candidates offer the most detail because they are continuing with their 30-point housing plan, which has been important. But their plan is not making a dramatic contribution to restoring housing affordability... at least not yet. What we observe so far is the problem is not getting worse at the pace it did previously.

British Columbia needs better, if we are seriously committed to restoring housing affordability forever. We're not likely to get better, if we don't acknowledge a hard truth: that home prices have increased more than many can now afford, in part because there has been broad public support for rising home prices since many "everyday" households have benefited from higher home values.

But that rising home price is a double-edged sword. While some reap large gains, others are crushed by the associated increase in costs.

That's why our primary housing policy recommendation during this provincial campaign is to call on political parties to adopt the [goal](#) that all British Columbians should be able to afford a home that meets their needs by 2030, either as renters or owners. As we outline in this [blog](#), adopting this goal is important because it sets a clear timeline to which we can hold our elected officials accountable. For instance, this timeline makes clear that housing plans are not sufficient if all they do is slow down the deterioration of affordability. We can't tolerate any more deterioration. We need improvement.

To this end, the goal makes clear that our province should make explicit that it no longer wants home prices to rise faster than local earnings. In the short term, we should search for ways that ensure earnings catch up somewhat. This is no small task, since we have learned amid Covid-19 that not even a pandemic can slow down housing prices in this province, or in other places across the country.

Put differently, we need to be explicit that home prices ARE NOT HEALTHY when they rise faster than earnings. Home prices are only RECOVERING when local earnings are catching up to average prices. Too often, we hear media reporting the very opposite ideas, based on logic that does not prioritize housing affordability.

It's time for all political parties to commit to this goal. It's time for voters to shape their evaluations of housing policy promises in light of this goal. It's time for the provincial government to revisit the priority it gives to rising home prices in our plans for economic growth,

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and it is time for our government to reorganize all public policy to align with the goal that we no longer want home prices to rise faster than local earnings.

At least, it would be time for all this *if* we really care about restoring housing affordability, forever.