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Want Housing Solutions? Listen to People Who Develop Housing …

Mark Carney and Gregor Robertson … Planning critics weighing in on housing supply often default to tools of regulation - not unsurprisingly perhaps because many operate within the "moral syndrome" of government (rules, market intervention, authority, vengeance for those who break the rules) and many are ideologically phobic to the moral syndrome of commerce (free markets, free flow of information, trade, competition, profit)[1].

In Vancouver a small group of mostly-planners / architects have presented themselves as "housing experts" along with a manifesto of regulation and market interventions; a 'pablum planning' demand for 'more government investment in non-market housing' (with no real financial analysis of what that would cost Canadians); and almost no introspection with respect to the role and culpability of planning policies and practices that have contributed to housing scarcity and unaffordability.

[1] See Jane Jacobs, "Systems of Survival" (1992).

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Don't get me wrong, most of the people who signed the petition bring experience to the debate and many are expert in some of the many competencies needed to develop housing. Some are well respected colleagues and some are odd – including an "expert" fond of distorting stats and who can't seem to properly calculate a mortgage. A small minority I would consider 'all-rounders' with the complete set of skills, experience and economic understanding needed to actually develop housing. We don't see in their numbers any representation from the leadership of well-respected companies (private / public sector) that have developed thousands of homes for rent or sale. That says a lot.

My observations for Federal, Provincial and City leaders:

- **Developers don't want 'bailouts'.** They want a sensible policy reset to bring down housing costs. Demand side measures have generally been exhausted and offer no new solutions. **Housing affordability is also an income problem,** and our governments need to create policies that raise Canadian productivity and reduce taxes.

- **Properly Zone Land:** Fact is that land zoned for +intensity drives land costs down on a $/sf basis. Address high City CAC extractions that literally force the sale of homes at higher and higher prices.

- **Address spiraling government housing fees, taxes and levies.** In Vancouver, the cost to develop apartments has increased >3X in 20 years; Government Fees and Taxes increased >7X; incomes have only grown 1.7X. Four levels of government have been mining new housing for revenue.

- **Canada needs a New Urban Infrastructure deal.** We need +skilled migrants (and new housing) if we are to keep any semblance of balance between the # people working and # people retired! The Feds and Provinces need to fund big pipes & transit for Cities impacted.

- **Canada needs +Investment:** The panel of critics does not understand the (positive) role of domestic or foreign investment in our real estate system. All of the critics are in fact big investors in foreign real estate including housing (look at your pension plans!) and some of them have invested in second (or more?) homes outside of Canada.

- **Maintain Low Cost, Predictable CMHC Financing for Market Rentals:** All new market rental homes are going to be occupied at 'market' rents. CMHC studies confirm new market supply is positive and healthy for rental markets[2]. CMHC funds are LENT to market rental developers and REPAID with INTEREST. Market rental developers also pay MORTGAGE INSURANCE premiums that derisk loans for CMHC.

- **Of course fund Non-Market housing at rents that the market cannot offer.** However, the market delivers >95% of Canadian Housing. Critics offer no concept of a) how much non-market the government should directly build / finance and b) what that would cost Canadian taxpayers.

Public Funds Needed x 10,000 Below Market Homes

							Up Front Tax $		Debt	
Unit Rental Type	%Mix	AvgRent/sf/Mo	Avg Rent/Mo	Units	Rough Cost/Unit	Total Cost	%	$	%	$
Deep Subsidy	33%	$1.00	$600	3,333	$550,000	$1,833,333,333	100%	$1,833,333,333	0%	$0
Housing Income Limits	33%	$2.50	$1,500	3,333	$550,000	$1,833,333,333	50%	$916,666,667	50%	$916,666,667
Low End Market	33%	$4.00	$2,400	3,333	$550,000	$1,833,333,333	35%	$641,666,667	65%	$1,191,666,667
TOTAL	**100%**	**$2.50**	**$1,500**	**10,000**	**$550,000**	**$5,500,000,000**	**62%**	**$3,391,666,667**	**38%**	**$2,108,333,333**

- **Plan to Redevelop Old Rentals:** The families and companies that own old rental buildings beyond their economic service lives must have rights to redevelop. Incent +intensity to create +purpose-built rental homes that generate reasonable economic returns that would attract the investment perhaps of the BC Municipal Pension Plan which targets annual returns of 7% x equity invested. Balance this with reasonable means-tested protections for existing tenants.