

Civic costs adding to Metro Vancouver home prices

FEATURE | Municipalities share in land lift values through high rezoning fees, according to a Fraser Institute survey

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As rising housing costs in Metro Vancouver continue to make headlines, municipal policy-makers, including Vancouver's mayor, point to a number of potential causes, including absentee owners and home-flippers – people who buy and promptly resell property for short-term returns.

However, Metro Vancouver faces unavoidable physical limits to growth and the regulatory burden cities place on new housing development can exacerbate the problem.

A recent study by the Fraser Institute finds stark differences in the hurdles developers across the Lower Mainland must overcome to build new homes. Before turning to potentially costly interventions into local housing markets, municipal policy-makers should look in their own backyards for simpler solutions to rising costs.

Approval can take months

If it takes too long to get city hall's approval for housing developments, the supply of new homes will lag behind demand. This can

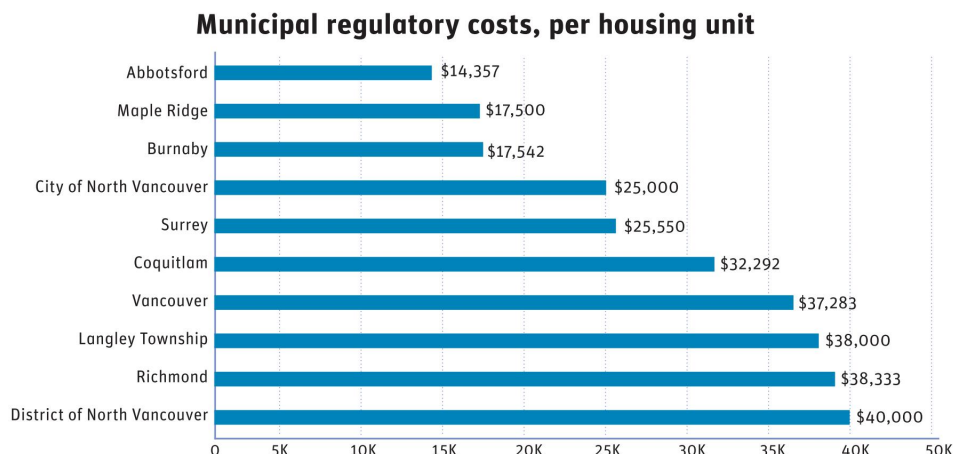
make new housing scarce and drive up prices across the region by creating a perpetual seller's market. The study estimates that typical approval timelines range from five months in Pitt Meadows and 8.5 months in New Westminster to 16.1 months in the District of North Vancouver and 17.7 months in West Vancouver.

Moreover, prohibitive compliance costs, such as development charges and legal fees, are another factor that can make the economics of more affordable housing options turn sour, adding at least \$14,357 per new home built in Abbotsford and a maximum of \$40,000 per home in the District of North Vancouver.

Responsibly set fees, reflecting new infrastructure costs, can lift

the fiscal burden of new development from the existing property tax base, making it easier to accommodate – especially at the urban fringe where new roads and sewers are often necessary. Subsequently, one would expect cities with the densest growth to feature the lowest fees. However, a closer look at fees and compliance costs across Canada finds no evidence of this trend. Instead, the data suggests that intensifying cities – those building up instead of out – often have regulatory frameworks that are more costly to navigate. Burnaby is a rare exception, growing compactly while maintaining low compliance costs relative to neighbouring Vancouver.

Persistent rezoning in a city



SOURCE: FRASER INSTITUTE, NEW HOMES AND RED TAPE



Kenneth P. Green, senior director of natural resources at the Fraser Institute. | FRASER INSTITUTE

raises questions about the plans and bylaws it has in place, and can add to administrative burdens. Survey evidence suggests that zoning bylaws need to be amended to accommodate more than 80 per cent of new residential development in eight of 19 Lower Mainland cities.

Equity dictates opposition

Council and community groups are often a force for good, but they can undervalue the needs of newcomers as Canadians continue to converge on urban centres. A survey of industry professionals revealed that opposition to residential development from council and community groups tends to be strongest in cities where dwelling values are highest (the North Shore, Vancouver) and less of a deterrent to building in places like Surrey, where people have amassed less equity in their homes.

Smoothing out the kinks in the process that gets new homes built can pay dividends to anyone looking for a new home in the Lower Mainland. ■

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