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Housing Policy in Areas of Significant Growth – Positive Measures

In areas of rapid economic growth, sudden increases in the demand for housing can result in housing shortages, price increases and rent increases. This policy statement addresses that situation.

The most appropriate policy response is to allow the housing market to operate as freely as possible. Eliminating or reducing restrictions on housing supply will allow a rapid increase in supply. That will produce more housing, alleviating both the housing shortages and the price and rent increases. An improved tax position for rental housing would result in more rental housing construction. Key changes would be allowing tax deferral on the capital gains and recapture on the sale of one rental property and purchase of a replacement property; and increasing the rate of Capital Cost Allowance, perhaps by front-end loading it as is done in a number of other countries.

Appropriate Government Measures to Facilitate Increased Supply

- Expedite land use, planning and building approvals for new construction
- Expedite land use, planning and building approvals for renovations and suite additions
- Allow accessory suites without planning approvals (either permanently or temporarily)
- Allow the rental of rooms in all zones (either permanently or temporarily)
- Allow employers to provide temporary accommodation in areas zoned non-residential
- Allow builders to sell new housing without full finishes
- Allow builders to sell houses with temporary accessory suites in new sub-divisions
- Ensure new roads and sewer and water services are expedited to allow new sub-divisions
- Make surplus government land available for new rental construction of all types
- Make surplus government buildings available for conversion to temporary or permanent housing or other facilities
- Facilitate the expansion or addition of mobile home parks
- Reduce the income taxes on rental property
 - Allowing deferral of tax on capital gains and recapture
 - Allowing increased capital cost allowances

To Mitigate the Effect of the Increase in Demand

- Provide housing allowances to residents with low incomes, ensuring that the program design does not increase demand at the margin.

Conclusion

Many of the specific measures are the responsibility of the provincial or municipal governments. However, the federal government can help with

- Infrastructure funding
- Making federal government land or buildings available for redevelopment
- Reducing income taxes on rental property
- Providing funding for housing allowances

By the means listed, housing supply will increase, which will solve the dual problems of availability and price levels.