

Easing the Housing Crisis: Land Availability and Policies as Barriers to The Yukon's Economic Growth

A Workshop, Whitehorse, Yukon

May 10, 2011

Workshop Report

SUBMITTED TO:

**Whitehorse Chamber of Commerce
Partnering For Success
Attention: Rick Karp**

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Easing the Housing Crisis: Land Availability and Policies as Barriers to The Yukon's Economic Growth

Preamble

On May 10, 2011, the Whitehorse Chamber of Commerce hosted a workshop for the Yukon's land developers and builders to discuss ways and means of overcoming the present access to developable land which the Chamber has identified as a potential barrier to the economic development of the Yukon. The list of invitees who accepted the invitation is listed in Appendix A. The WCC requested that DPRAs local Whitehorse office act as the facilitator and workshop reporter in order to provide an independent review of the findings and opinions being expressed. Dr. Greg Finnegan acted as the facilitator. This report outlines the opinions and ideas of this group as well as *Recommendations for Change*.

1 Defining the Land Availability Problem

To be perfectly succinct, it is the opinion of the Land Development community that Whitehorse lacks sufficient serviced land or land in reserve to meet the economic growth expectations which are being projected by various organizations and economic think tanks in and outside of the Yukon. This problem has been created by a lack of raw land being released by the Yukon Government to meet the market's needs and by the challenges that the City of Whitehorse faces in moving land into the market place. The City of Whitehorse has a long term revenue issue that it is resolving through increased taxation and other revenue generating means. The City argues that it has a *Free Ridership* problem; basically it has to pay for goods and services for people living outside of its boundaries but who work in Whitehorse and consume services here.

Part of the problem that the City faces is related to the fact that it, as a *public entity* is also acting as a land developer, selling lots at *Market Value* into the private sector. These twin barriers of government authority appear to be exacerbated by a lack of policy directive from the Yukon government. This lack of planning and direction is unusual, given that a platform of the Yukon government when it took power almost a decade ago was to reduce barriers to residential land development; allowing one assumes for *free market* principles of supply and demand to direct the speed of development and the opening up of new land for the building of a modern Yukon economy. One of their key platforms was to ensure that a two year supply of lots was available for development in the Yukon.

Without housing, we are destined to be a small community.... Alternatively, people will live in mining camps and travel in and out.¹

It is estimated by real estate and land development professionals that the supply of housing that presently exists in Whitehorse is upwards of a decade behind the demand and that the present Whistle Bend suburb which had been expected to fulfill housing needs for the next 20 years may well be built out in 8 years. *The demand for housing is outstripping the supply.*

The lack of supply has in essence driven up the value of existing property with the average price of a single family house more than doubling in price between the 4th Quarter of 2004 and the 4th Quarter of 2010, rising from \$188,700 to \$404,800 or 114.5%. Where land is dear, prices rise. Another aspect of the housing market which is commonly overlooked in the discussions to date is the need for *replacement housing*. We are defining these as houses that are in need of major repairs, which represented 12.1% of Whitehorse's housing stock in 2006, or some 1,129 of the City's 9,330 privately owned dwellings; the comparative number for Yukon (including Whitehorse) this figure rises to 14.9% or 1,879 homes. As of 2006, 62% or 5,785 of the City's privately owned dwelling had been built before 1986, as of today (2011) that means they are 25 years or older.

1.1 Yukon Economic Growth, Economic & Population Projections

It is estimated that Yukon's real GDP in 2009 was \$1.445 billion, up 1.4% from \$1.425 billion in 2008, representing the highest level of GDP growth in the country. The value of real GDP for Canada in total is reported to have declined by 2.9% in 2009. This was prior to the opening of the latest two Yukon Mines, (Bellekeno and Wolverine, joining the Minto Mine). With the possible development of between five and eight other new mines this decade, the demand for housing in Yukon will most certainly rise as direct and spin-off employment opportunities rise upwards of between 1,800 and 2,000 jobs in mining² as well as spin off positions for everyone from hair stylists and truck drivers, common labourers through to government regulators, medical practitioners and even economists. Even though the Federal government has recently revised expectations for the Yukon's economy downward from over 3% to around 1.3% for 2011, the labour market says otherwise, with the Yukon having broken through the 20,000 person size labour market for the first time and with some 18,700 people employed (April 2011). Since last April there has been increased employment in both the goods producing and the service producing sectors.

¹ Dave Borud, General Manager, Northerm Windows, Opening address to workshop, May 11, 2011. It has been estimated that the Yukon could have upwards of 1800 to 2000 direct jobs in mining by 2018, if the existing mines continue to produce and the next five most likely mines working their way through the regulatory process open by 2015. Best guesses for the percentage of these jobs that will be fly-in fly-out range from 33% to 50%. Accessible and affordable housing will have a direct bearing on this estimate.

² Personal Communications with Jamie Coles, Mining Economist, Department of Economic Development

The Yukon Department of Economic development reports that:

- Estimated mineral exploration expenditures remained high at \$90 million in 2009 compared to an estimated \$110 million in 2008;
- Minto Mine copper production in 2009 totaled 53.7 million pounds of concentrate, up 12.6% from 47.7 million pounds in 2008;
- The value of Yukon building permits in 2009 was \$158.3 million, more than double the \$71.5 million recorded in 2008. Permit value was driven primarily by a number of construction projects supported by substantial public funding as well as new mine development;
- The value of retail sales in Yukon totaled almost \$527 million in 2009, down 1.5% from \$534 million in 2008. The decline in retail sales was mainly attributed to lower fuel prices.

The desire to know what will happen in the future must always be tempered by the recognition that no perfect model exists for forecasting economic change and that far too many internal and external economic or political factors can contribute to radical alternatives to the model's predictions. Having said that, there is a general agreement that the economy of the Yukon is on an upswing; however, there are two factors that will, in all probability, need to be overcome for these positive predictions to be realized. These are access to energy for mine development and access to housing for the labour force that has been growing and is expected to continue to grow.

If the Yukon can grow its population by retaining mining jobs in the Yukon, it will not only grow its taxation base but will also add people to the Territorial Funding Formula (TFF) bottom line, whereby each Yukon resident equals approximately \$20,000 in federal transfers.³ This also has the opportunity to increase Federal transfers under the Gas Tax Transfer program.

1.2 Yukon Government Forecast December 2010 and Conference Board of Canada, 2011

The Yukon government, based on the year-to-date data, maintained its forecast of real GDP growth in the range of 3% to 4%. This position remains unchanged, despite downward revisions from Statistics Canada in April of this year. With Yukon's population averaging 34,747 in the first six months of 2010, the population growth forecast has been revised upward from 1% to 2.5%. The forecast of \$150 million for mine development expenditures remains unchanged. Exploration expenditures are now expected to exceed the 2007 record of \$140 million, with significant exploration activities taking place in many parts of Yukon. The forecast for mineral production for 2010 has been revised downward from \$320 million to \$260 million. Lower production from the Minto Mine combined with later than expected start-up at the Bellekeno and Wolverine mines explain the downward revision in the forecast for the value of mineral production. Tourism recovered from its 2008-2009 downward swing as American tourists came back into the market and European tourism –which is usually

³ Department of Finance, Personal Communication, May, 2011, Yukon receives some \$650M in TFF plus another \$100K in other transfers, such as Health and Social Services funds, based on a Statistics Canada population estimate in the 33,000 range for 2006; numbers fluctuate.

destination driven rather than rubber-tire traffic oriented, increased. The annual value of retail sales for 2010 is expected to exceed the May 2010 forecast and total approximately \$560 million, significantly higher than the estimate of \$527 million for 2009.

The Conference Board of Canada was especially bullish on the Yukon in its February 2011, *Territorial Outlook*. On the job front, the Territorial Outlook is calling for the creation of 550 net jobs in the Yukon in 2011, a 3.3% jump. This again begs the question of housing. While many new Yukon jobs may be in mining and may actually be fly-in fly-out positions (say up to 1/3), that still means that these new workers will be looking for housing for themselves and their families. We have all heard anecdotal stories from business of hiring staff who could then not find acceptable housing here for their families and turned the job offer down. Unfortunately, these stories cannot be adequately substantiated by statistics, but recruiting questions included in the Yukon Business survey do show that 59% of all private sector businesses stated that they had problem recruiting staff. The Conference Board is projecting a 26.4% expansion in the mining sector over the next two years (2013). While the Conference Board believes that natural resources are driving the Yukon's booming economy, it also recognizes that the Public Sector is still the backbone of the economy, a backbone that allows Yukon to ride the crest of the wave through the various economic downturns that have impacted the global economy since October 2008 and which continue to keep the American economy from fully rebounding. They are expecting the Yukon government to post a series of surpluses starting in 2012-13 through 2020-21. While own-source revenues will climb through natural resource developments and personal and corporate income taxes, the bulk of the Yukon government's revenue will continue to come from federal transfers - roughly 64%.

On general, the forecasters agree. The Yukon is riding a wave of natural resources growth, the major concerns that may limit this growth relate to finding the energy for development and the need to house the expected increase in the labour force that these new mining jobs will create throughout the economy.

2 What the Land Developers and Home Builders Said

The Whitehorse Chamber of Commerce is concerned that the City of Whitehorse's Growth Strategy is not sufficiently addressing some of the issues affecting the availability of housing in the City. As well, resulting from feedback from our membership and the community at large, it has become apparent to the Chamber that any resolution to this issue should involve the Yukon Government and Yukon First Nations. Finally, if all orders of Government in Yukon - the municipalities, Yukon's First Nations, Yukon Government and the Federal Government - partner with the private sector, the housing crisis can be resolved.

Therefore, the Whitehorse Chamber of Commerce has identified the following possible solutions as part of a strategy to replenish the housing inventory in a manner which will alleviate the pressures that are driving real estate values to unsustainable levels. It was these three Recommendations that the Round Table and break out groups discussed, looking for ways to bring forward the concepts with attached action items for immediate policy development.

Language has power; semantics mean something, especially when you talk about subsidies for rental housing. One of the problems is the over-inflated value of land. It costs too much to get into the market place, which means that developers have to build for the higher end of the market. Part of the problem is the City's use of the term Market Value. There is no market since there is 1 seller.

2.1 Recommendations Presented for Discussion:

2.1.1 Release Land to Private Sector:

That the Yukon Government meet with the City of Whitehorse, Yukon First Nations (Kwanlin Dun First Nation and Ta'an Kwäch'än Council) and Land Developers to implement a policy whereby lands identified in the City's OCP as suitable for residential development be released by public tender to the private sector for development.

2.1.2 Create an Incentives Policy:

That the City of Whitehorse create an incentives policy that will stimulate densification and redevelopment of the downtown.

2.1.3 Develop Areas Identified for Growth:

That the Yukon Government, Yukon First Nations (Kwanlin Dun First Nation and Ta'an Kwäch'än Council) and the City of Whitehorse should work together to strategically accelerate the development of identified lands in the Official Community Plan.

3 Workshop Round Table

The workshop participants were asked to provide opinions in a general round table, which included a presentation from Mr. Gord Bontje of Laebon Homes of Red Deer, Alberta, who kicked off the round table discussion and fielded questions from the workshop participants. The Round table was followed by breakout groups (three) which were asked to provide comments and actions that address the three recommendations above which the Housing Committee of the Whitehorse Chamber of Commerce had developed and were discussed and accepted by the Partnering for Success Steering Committee.

Mr. Bontje discussed the challenges that developers faced in Red Deer in the past 30 years, given that the City was both a land owner and a land developer in competition with the private sector. This unusual situation is seen by Whitehorse's development community to be analogous with theirs. In Red Deer he noted that the City as a developer was highly uncompetitive, that in essence they built poorly, timed land development poorly and rarely met market demands.

I love the City as a land developer, they suck at it, and it's great to have bad competitor. Some of the other municipalities that do developments, their growth

rates in the 90's were significantly lower because they were trying to monopolize land development. Municipalities who do land development tend to experience slower growth.

However, the primary difference between Red Deer and Whitehorse was that as Red Deer grew out to some 90,000 people, it was able to expand into the agricultural prairies where land could be bought for as low as \$1,000/acre. This was land that developers were able to bank until the suburban frontier, and as such municipal services, reached their property. He notes that private developers only entered the market in the 1980's. In Red Deer, the City has now taken on the task of building socially responsible housing, about 25% of the market. The City's participation resulted in a low development rate that was too slow to meet market demand and too regulated to deliver affordable housing. It created a situation in which the City Planners had far too much regulatory control while being in a professional conflict; acting to regulate the private sector which was in reality also their competitor in the market place.

He noted that the cost of developable land in Red Deer today runs around \$70,000/acre. As comparable site and situation does not readily exist here in Whitehorse, another way of looking at the costing for developable land would be to look at what recent land sales rates for lots being subdivided in for example, Porter Creek. RE/MAX realtors noted that a 100 x 200ft lot subdivided into two 50 x100 has recently sold for \$150,000 per lot, perhaps netting 120K after servicing. Gord Laebon said that in the Red Deer OCP, there is a technical focus which notes that Red Deer has the capacity in building services in any geographical direction. Sometimes it is hugely impractical or too costly to bring services into certain areas. This is another issue that the land development community feels the City and the Yukon Government needs to address, the direction of growth and the timely investment in services that will allow for development.

In traditional urban planning the City is able to control development, generally making it contiguous through the dragging of pipe from the core to the periphery along specific arterials. An alternative approach for developers to explore is onsite servicing where the developer works in a 3P relationship with private utility providers to deliver municipal quality services such as water and wastewater treatment onsite (advanced secondary treatment for wastewater). This possibility has been explored in various areas of British Columbia and is permissible and regulated by the BC Municipal Sewage Regulation⁴. It allows for the private sector delivery of public services, with the private sector utility taking on the risk.

3.1 Round Table Key Findings

- More Land needs to be made available for development directly from the Yukon Government to the private sector;
- Yukon Government, working with the City of Whitehorse, needs to reduce barriers to private sector acquisition of block lots for free market development;
- Land development costs need to be reduced either through tax breaks, reduced development fees, and/or other incentives that allow the private sector to defer carrying costs while meeting immediate market demand;

⁴ See: http://www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/30_129_99

- Create partnerships (P3s) between developers and Yukon Government (Yg), City and/or First Nations to jump start the land development and housing market; we will all gain;
- Key areas for immediate development such as Long Lake, KDFN lands, Country Residential need to be moved forward immediately to meet demand.
- Establish a stakeholders working group to review these options and overcome barriers to development;
- Yg is sitting on a considerable bank of land that is undeveloped or is being underutilized, especially in the core. Yg needs to work with the land development industry to free up this land as cheaply as possible to relieve the demand for housing. This will allow for densification on major transit routes and close to where the jobs are;
- That Yg takes a secondary position behind the banks when they sell land to a developer, giving the banks a more secure position;
- That Yg guarantees a percentage pre-sales so that the project can move forward;
- That Yukon Housing/Government grants infrastructure loans to developers.

4 Workshop Findings

The break out groups generated the following opinions; these have been grouped into subsections, Land, Bylaws and other Restrictions, Market Incentives, Policy and Taxes: (The following comments represent the opinions of the land developers and home builders as present at the workshop or in writing after the meeting, not all comments have been recorded here, we have attempted to review those comments that were presented as factual against the sources to the best of our ability, in the time allowed)

4.1 Land

- Over the counter, nobody can buy block of lots, is helping to inflate prices;
- Existing market conditions are not sustainable;
- Negotiation of lot sizes, if you own land, negotiate with City (Whistle Bend – zoning in place but not conducive to market);
- Government should provide raw land on a no pay until sold basis – reduces carrying costs and risks to investors
 - Development costs in downtown area combined with other costs, (especially Yukon Electric for underground infrastructure) has increased DCCs by a factor of two to three times (2 to 3X). The belief that all of these new charges are a burden that the developer has to absorb and pass onto the home buyer.
- Current values are artificially inflated, when supply comes in, that value could change, resulting in potential issues for the banks and home owners, this is a problem that could create challenges for government.

4.2 Bylaws and other Restrictions

- Developers know the housing market best, what people will buy and how they want it to be designed and developed;

- Front porch requirements add \$25,000 to cost of house, that cost then has to be then passed onto consumer, relax bylaws;
- Bylaws and Zoning requirements – power lines underground adds 25% to cost and lessen ROI to only 4%.
- Parking requirements needs to be relaxed;
- Bylaws limit the profitability of some developments, land is then underutilized
- Be careful of what you impose, onerous bylaws and impositions can result in the outflow of capital from Whitehorse to other communities in Canada or from real estate and land development in other market sectors which have a higher ROI.

4.3 Market Place Incentives for Housing Market Segments

- Affordable Housing Initiative - look at cash incentives (Phase 1, 2005 was for affordable housing, Phases 2 & 3 are programs aimed at social housing). There was a \$7,500 grant to offset capital costs to building to Yukon Housing's energy saving and barrier free housing (CMHC money flowed through Yukon Housing), but that program run its course. Right now, executive level housing and Condos provides for better ROI and are in demand;
- Identify lower land value areas, where you can build a community of entry-level land development;
- Land - variety of choices and scalable in order to meet the various size developers we have in market;
- Removal of Development Cost Charges (DCCs).

4.4 Policy, Planning and Taxes

- A 200 lot bank should be maintained – no excuses;
- Capacity needs to be planned to meet demand;
- Enough with the tax grab – once lots are broken out tax rate changes. You're taxed on future growth is a negative incentive to develop;
- The City seems to think *how can we get the developer to capture some of the costs of development*, instead of considering how to be a participant, especially on larger projects (potential 3P opportunities);
- Just because we are a developer does not mean we are flush with cash, enough with the offloading. The city must recognize that we will move to more conducive markets.
- Recognize that Home-buyers entering Yukon and Whitehorse market are looking to invest in neighbourhood developments that reflect their lifestyle expectations, this probably means single family homes on detached lots.
- City has never taken flak for too much inventory;
- More comprehensive holistic approach to planning. Not just charettes, developers and home builders that carry the risk are not adequately represented nor heard in these public forums - OCP process was that my input was window dressing;
 - "We want to re-examine the OCP"
- The land development process is political. There needs to be a clear process and political recognition of the problem

5 Recommendations for Change

In summary, it is essential for government to know that the key players in the Yukon's land development and construction sector are looking for changes that will allow them to work more effectively towards meeting the pent up demand for housing in Whitehorse. We can only assume that the housing demands of rural Yukon, or the communities, is equally grave as their rate of houses in need of major repairs is higher than in Whitehorse and their housing stock somewhat older. The WCC strongly urges that all of the stakeholders in the land development sector look into the ways and means by which it can begin to reduce barriers to land development, be it through incentive-based policies, the opening up of more Yg owned land for affordable housing, reduced taxes and removal of DCCs, or financial guarantees for developers that reduce their risks and or carrying costs through phases of development. Finally, we must all recognize that change is inevitable, and that as a community we need to work collectively to resolve the problems that are certainly going to occur as the Yukon economy expands and diversifies. The Workshop effectively supported the findings of the previous research, so, the Recommendations stand:

- **Release Land to Private Sector;**
- **Create an Incentives Policy;**
- **Develop Areas Identified for Growth;**

The land developers and home builders recognize that a considerable effort will be required to draft new policies and to create the financial and tax programs that will be required to change the way business is presently done. As well, the industry needs to have legislation put in place that secures investment and reduces risk, one such program could be developed through the *Landlord and Tenant Act*. The development community is willing to work with government to assist in the drafting of these policies. It urges government to explore new ways of doing business, such as 3P programs that are more responsive to the market place and provide a large vision of what the Yukon and Whitehorse could evolve into as the demand for our mineral resources becomes a more significant player in the northern economy.

6 APPENDIX A

Partnering for Success

Housing Developers Round Table Participants

May 10, 2011
8:00 – 10:00 am
Gold Rush Inn

Darryl Weigand,

Dave Borud,

Ian Robertson,

Murray Arsenault,

Tony Zedda,

Mike Racz,

Josh Clark,

Don MacDonald,

Frank Silvestri,

Martin Crill,

Brian Little,

Wayne Cunningham,

Ron Daub,

Janet Spinks,

Rick Reidmeister,

Jeff Cowie,

Ray Sidney,

Facilitator: Greg Finnegan – DPRA

Rick Karp, President Whitehorse Chamber of Commerce – Introductory Remarks