

Gordon Harris: Selling public land is bad policy, bad planning and bad business

Gordon Harris

Vancouver Sun June 2019



Gordon Harris, at SFU UniverCity, argues that governments should not sell off land assets. PHOTO BY MALCOLM PARRY /PNG

There have always been items that, for financial or personal reasons, were simply too valuable to sell. And while family silver services have gone out of style, land hasn't — and never will.

That doesn't mean an individual or a business can't make a perfectly valid decision to liquidate a real-estate investment. But for a government, which doesn't own land but, rather, holds it in trust for citizens, any inclination to sell that asset, especially if only to give the current account a one-time rosy glow, should be met with something between skepticism and alarm.

Yet, as Vancouver Sun reporter Lori Culbert has been reporting in her excellent series on the sale of provincially held real estate, the B.C. government initiated a program in 2013 precisely for the purpose of raising income by selling "surplus" land. As Culbert reported on June 17, "Since then, 164 properties (including 50 schools and educational land lots) have sold for \$1 billion, resulting in about \$800 million in profit."

That is a problematic characterization, because the government didn't "profit." It just converted a land asset into cash — and then it spent the money. That's not profit taking — it's cannibalizing public assets. It's like a private citizen selling their house and then living off the proceeds. By this strategy, the government might ease financial pressure in the short term, but it's not accessing a new source of income. It's consuming public equity.

There are three reasons to resist selling "surplus" land. First, land is seldom actually surplus. You might not need it today, but if a need arises tomorrow, it can be prohibitively expensive to buy back. The Sun documented several cases in which the government sold land or buildings only to lease back space immediately, or sold school properties only to have to wade back into an overheated market, facing land prices that had doubled in a few short years.

A second, transparently political reason to resist selling land is that you avoid looking corrupt or incompetent. The Sun revealed occasions where land was sold for less than market value, or was sold and flipped, with the real profit landing in the hands of a short-term owner. In both scenarios, taxpayers lost out.

The third and perhaps most compelling reason to resist selling land is that it's often unnecessary. Public bodies have proved that you can earn nearly as much by leasing out land, earning income but maintaining ownership.

The obvious examples are Simon Fraser University and UBC. At the end of the last century, both had large land endowments but shrinking budgets. So, both converted land value to cash value to support their missions of teaching and research.

Both faced the same problem: In creating the universities' endowments, the B.C. government had decreed that any land found to be "surplus" to institutional use would revert to the Crown. Prohibited from selling the land, both chose to offer development parcels for 99-year lease — the cost to be paid up front.

You might think that would fail, that lessors would want big discounts because they weren't going to have ownership. But universities are trusted institutions and the locations are sufficiently in demand that we have earned very close to full value. Meanwhile, we retain long-term ownership and our interest in maintaining the value of the property works in everyone's favour. It's a proven model, well worth exploring by any public or not-for-profit agency holding real estate in trust.

To quote the old song: "This land is our land," and it should stay that way in all but the most extraordinary circumstances.

As president and CEO of SFU Community Trust, Gordon Harris has been responsible for the successful development of UniverCity on endowment land adjacent to Simon Fraser University's Burnaby Mountain campus.