Economic Benefits from Construction of Public Long Term Care Capacity in British Columbia

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A. Introduction and Summary

As British Columbia's population ages, a growing number of residents will require services from long term residential care facilities. Innovations in service and health care will allow most to stay in their own homes later into their lives. But eventually tens of thousands of B.C. seniors will need to be supported with the more intensive care and attention available only in residential care facilities. This is putting enormous pressure on the province's current network of long term care (LTC) facilities, which do not have enough capacity to meet that need. B.C.'s challenge is shared by other provinces,[1] and indeed by most industrial economies which are also grappling with demographic ageing.

Most LTC spaces in B.C. are publicly-subsidized, for the obvious reason that this care is both medically necessary in the late stages of life, and very expensive. Without public support, seniors needing care and their families would face an impossible burden of trying to arrange private care, and/or meet their elderly family members' needs through the voluntary efforts of family members. Roughly three-quarters of the cost of publicly-subsidized LTC beds (which make up the vast majority of total spaces in B.C.) is covered by government, mostly through payments delivered through the regional health authorities;[2] remaining costs are mostly covered by co-payments from LTC residents and their families.

The dominance of public funding is true regardless of the ownership structure of LTC facilities, which is divided roughly in thirds between public facilities (operated by the health authorities), for-profit private firms, and non-profit community agencies (such as religious and charitable associations). Apart from a small number of LTC beds in fully private-pay arrangements, LTC is delivered at public expense no matter the ownership status of the facility. This public contribution ultimately applies to all cost components of LTC provision, including building and capital expenses associated with LTC facilities.[3]

The NDP provincial government has acknowledged the importance of providing B.C seniors with affordable, high-quality LTC services. In 2020 the government announced a ten-year plan to expand LTC spaces in the province, primarily through new spaces in publicly-operated facilities. In the 2024 provincial election, the NDP committed to the construction of 5400 new and replacement LTC beds (B.C. NDP, 2024, p.51). This dual commitment to both expanding the number of spaces available, and ensuring that a larger share are provided through public facilities (which are demonstrated to have higher quality, better staffing, and more public accountability than private for-profit centres), was endorsed by a wide range of experts in health care, seniors policy, and trade unions representing LTC workers.

Unfortunately, the government's commitment to this goal has been weakened since the 2024 election. In the face of economic and fiscal challenges from U.S. President Donald Trump's tariff attacks on Canada, amplified more recently by a new energy price shock resulting from war in the Middle East, the government has delayed previous commitments to the expansion of public LTC beds. In order to reduce government borrowing, the 2026 British Columbia budget delayed (or, in the Finance Minister's euphemism, "re-sequenced") some previously announced capital projects. The government's plan

1 See Flanagan et al. (2023), Gibbard (2017), and Office of the Seniors Advocate (2023) for more on the dimensions, implications, and possible policy responses to shortages of LTC capacity.
2 Office of the Seniors Advocate (2023), p.6.
3 Even for for-profit facilities, the subsidies provided by the provincial government includes allowances to cover amortized costs for construction and equipment.

to expand LTC capacity bore the brunt of this "re-sequencing": seven previously announced LTC construction or redevelopment projects, representing 1303 beds, were delayed indefinitely.[4] More recently, pre-construction planning and consultant contracts for five of these facilities were cancelled (Fagan, 2026). The government continues to include all seven of the LTC projects on its capital building plan, indicating a continuing commitment to eventually proceed with them. But the timelines for those projects have been deferred indefinitely.

Dozens of other public capital projects are moving ahead despite the province's fiscal challenges, so this disproportionate curtailment of announced LTC construction projects can only be interpreted as reflecting some judgment that these projects are somehow less necessary. Such a judgment is fundamentally wrong. The crisis facing seniors, their families, and caregivers, may seem less pressing (and is certainly less noticeable) than loud complaints of business lobbyists and bond-raters about public indebtedness. But the crisis facing seniors and their families is nevertheless urgent and real. From community caregivers up to the offices of health leaders and the provincial Seniors Advocate, deep concern has been expressed about the impacts of deferring LTC construction: worsening waiting times, exacerbating the financial and mental health burdens on seniors and their families, and ultimately adding to overall health costs (through doctor and emergency room visits, hospital admissions, and more severe health crises resulting from inadequate preventive care).

Meanwhile, the for-profit LTC sector senses a lucrative profit opportunity in the government's retreat from LTC construction. "Let us build it," they proclaim – knowing that the money they will spend on private construction will be fully compensated by even larger public subsidies in the future. This is a fiscal shell game, in which long-term payments to private operators (including allowance for land acquisition and construction costs) continue to flow from government, but in which private interests nevertheless invoke the "efficiency of private markets" as justification for expansion of their already-large role in this (publicly-funded) service.

Deferring construction of new LTC facilities does not save the provincial government money, nor does handing responsibility for LTC construction to private for-profit businesses. To the contrary, once the long-term obligations associated with public payment for private for-profit LTC facilities are properly considered (including much higher finance costs associated with privately-funded construction projects), the ultimate burden for the province and its taxpayers will be higher, not lower. Committing to lucrative operating subsidies to for-profit LTC providers (already worth over $1 billion per year) for decades to come, instead of building new spaces which the public owns, is akin to a consumer paying much higher electricity bills because they felt they couldn't afford the upfront costs of energy-efficient lightbulbs. It is irrational and short-sighted to believe that the "cheaper" (but less efficient) lightbulb saves money. Believing that it is cheaper to pay expensive long-term subsidies to private for-profit businesses – which incur much larger finance charges, and then add lucrative profit margins on top – instead of building and owning those facilities in the public interest, is equally irrational and short-sighted.

4 The delayed projects include new or replacement LTC facilities planned for Abbotsford, Campbell River, Chilliwack, Kelowna, Delta, Fort St. John, and Squamish; see Ministry of Finance (2026c) and Depner (2026).

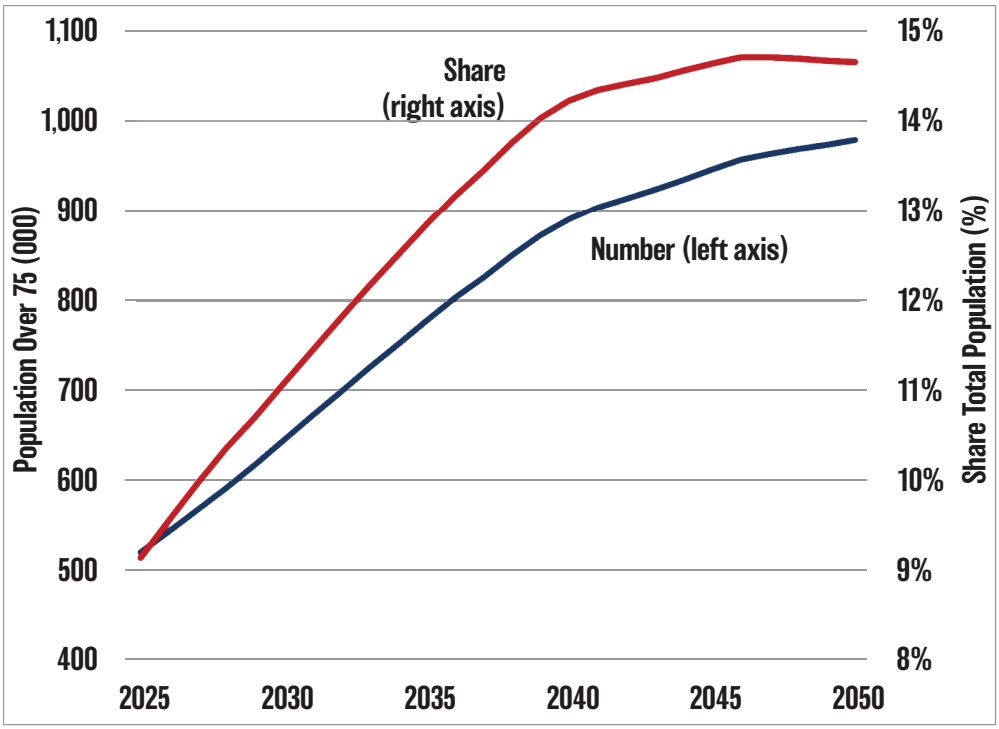
This report will review several dimensions of the choice facing the B.C. government to either fulfil its promise to expand public LTC capacity to meet the inevitable needs of the province's ageing population, or to kick the can down the road and leave it to the "market" (still massively subsidized by government) to perform this vital task. Arguments the province cannot "afford" to expand LTC capacity are flawed; so, too, are claims that private operators can undertake this expansion more cheaply, when their costs (and associated public subsidies) are properly accounted for. Moving forward with the expansion of public LTC facilities would generate important economic benefits for the provincial economy, creating thousands of new jobs at a time of economic uncertainty, and generating significant fiscal benefits that flow right back to the government. Most importantly, it would enhance safety and dignity for tens of thousands of B.C. seniors desperately needing high-quality care in the last years of their lives.

B. The Need for Long Term Care is Growing in British Columbia

Like other provinces, and most developed economies, B.C.'s population is getting older – and quickly. Longer life expectancy and lower birth rates are increasing the proportion of old people in society. The number of provincial residents over 75 years of age (the age past which need for LTC services becomes more common) will grow dramatically over the next 25 years, reaching close to 1 million by 2050 (See Figure 1). While the overall provincial population is expected to grow by 17% over the next quarter-century, the number of residents over 75 grows by 88%. As a result, the share of the population over 75 reaches almost 15% by the 2040s, before flattening (as the demographic bulge associated with the postwar 'baby boom' gradually dissipates).

B.C. will experience this transition particularly strongly. Even today the share of residents over 75 is about one percentage point higher than the national average. The quality-of-life advantages of B.C. (including milder climate and abundant natural and cultural amenities) will continue to attract more seniors to the province. This has economic benefits, as well as costs – including strong consumer spending by seniors in their retirement years, supporting local businesses and job-creation. However, the need to provide adequate physical and social infrastructure to support this growing population of seniors, including residential care in their last years, is obvious.

Figure 1: B.C.'s Ageing Population



Source: Calculations from Statistics Canada Table 17-10-0057-01 (M4 Medium Growth Scenario).

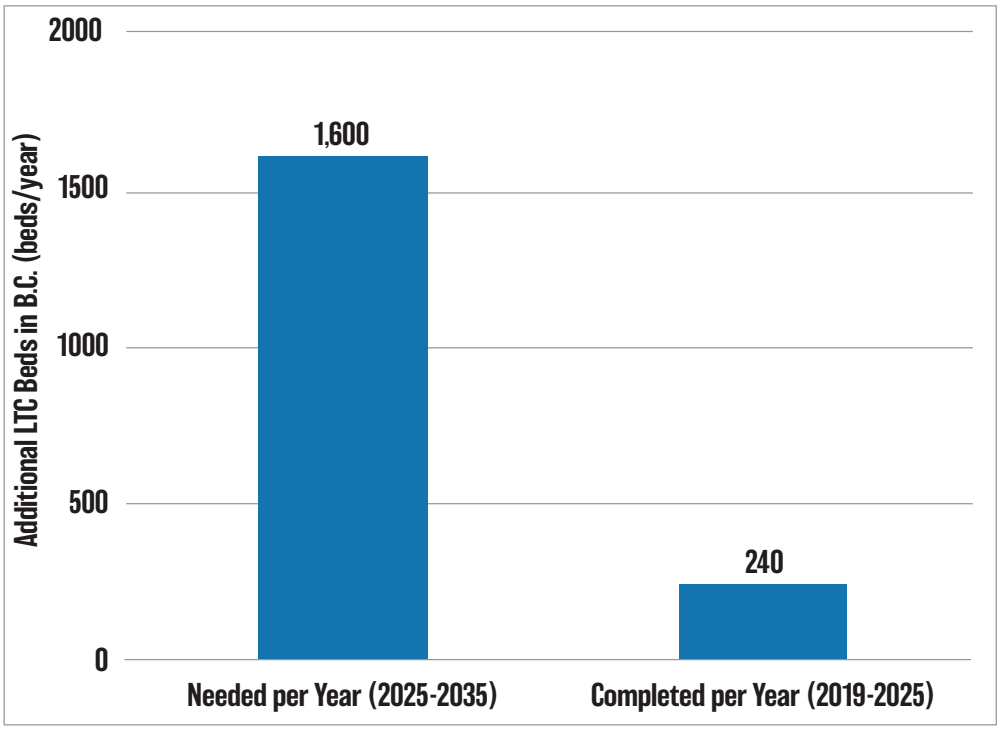
C. Construction of New Long Term Care Capacity is Not Adequate

Based on population projections and analysis of evolving patterns of care use among older seniors, it is undeniable that B.C.'s existing network of LTC facilities must be substantially expanded in coming years. At present there are about 28,000 publicly-subsidized LTC beds[5] in the province (not including about 3500 fully private-pay spaces, mostly in for-profit facilities). The rapid growth in the elderly population in B.C. will require this capacity to grow dramatically.

The provincial Ministry of Health has projected that the province must add 16,000 new LTC spaces over the next decade. That requires a rate of net addition of 1,600 beds per year. Over the past six years, however, the province has added a net total of just 1,437 spaces – implying an average annual addition of 240 places per year. The pace of net new construction, therefore, needs to increase more than five-fold in order to meet the projected need.

The inadequacy of LTC capacity is further evidenced by long and growing wait times to gain admission to a subsidized facility. As of March 2025, there were over 7,000 people on the waiting list for a subsidized space, up 150% in five years. Average time spent waiting for admission was 287 days in 2025; for non-urgent admissions (referred from the community, rather than a hospital) the average wait was 337 days. In some parts of the province (such as the Northern health region) waits are even longer.

Figure 2: Needed vs. Completed Growth in Long Term Care Capacity



Source: Calculations from Office of the Seniors Advocate (2026a).

5 Data in this section from Office of the Seniors Advocate (2023, 2025, 2026a, 2026b).

D. Transparency Needed on Comparative Construction Costs

The provincial government has justified its freeze on LTC capital construction projects with vague and exaggerated references to the supposedly extravagant cost of constructing new public LTC facilities in B.C. Alarmist headlines cite the cost of new construction ballooning to almost $2 million per bed, sparking right-wing narratives about wasteful government spending. In fact, the government's own financial reports (Minister of Finance, 2026c) cite a wide range of construction costs for recent projects, most of which are around $1 million per bed. Moreover, most of these projects also include additional features (including on-site child care centres, hospices, adult day centres and specialized care units) not usually included in for-profit facilities. This results in very misleading 'apples-to-oranges' public-private comparisons.

Instead of weaponizing exaggerated cost claims as an excuse for inaction, a more evidence-based and transparent analysis should be undertaken to explicitly measure and evaluate LTC construction costs, and conduct fairer comparisons between public, non-profit, and for-profit undertakings in B.C. and other provinces. If in fact construction costs for recent projects have been unexpectedly high, the appropriate conclusion is not to admit defeat and cancel future construction (ceding the space to for-profit developers who do not face the same transparency or accountability as government, but which will nevertheless be bankrolled by public subsidies). The appropriate response, rather, is to reform development guidelines, improve management practices, and deliver quality public infrastructure in a cost-effective manner (suggestions in this regard are provided in the conclusion to this report).

Accounting data on building costs in for-profit LTC facilities shows they are substantially higher than in non-profit providers (see below). A complete and evidence-based comparison is needed before concluding that public facilities are inevitably too expensive. Table 1 highlights just some of the factors that need to be considered to avoid distorted 'apples-to-oranges' comparisons:

TABLE 1
Dimensions of Accurate Construction Cost Comparisons

Type of Units	Comparisons to average building costs per unit at for-profit developments are skewed by the composition of unit types in many of those chains, which often include lower-cost assisted living units in their property portfolios.
Land Prices	There is a reason average home prices in B.C. ($933,000 in February 2026) are 41% higher than the Canadian average. Land prices in the province's inflated real estate market push up costs for all projects.
Building Costs	Building costs also reflect regional cost pressures. Construction costs for acute health facilities range from $1000-$1550 per square foot in B.C. (Altus, 2025), up to 30% more than in other provinces, skewing interprovincial comparisons.
Standards	New public LTC facilities feature the highest quality standards to optimize safety and comfort – including private rooms, in-room bathing, superior infection control, and other services. For-profit operators meet lower standards to enhance profits.
Complementary Services	Public LTC facilities are usually designed with additional on-site capacities to serve broader community needs, including child care, hospice facilities, adult day programs, and special treatment units. These boost apparent costs per bed.
Timing	The government argues deferring public LTC construction will allow lower prices in the future, due to falling building costs. This is far-fetched: building costs will increase further in coming years due to higher energy prices and ongoing inflation. Delay will make these projects more, not less, expensive.

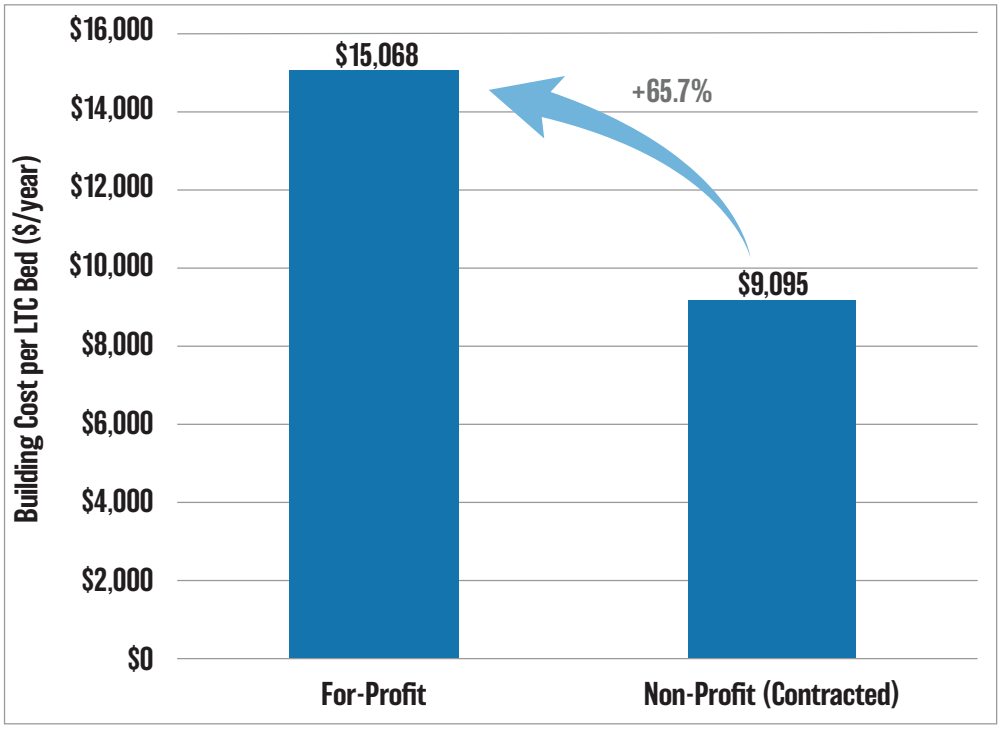
E. Capital Costs are Higher in For-Profit Long Term Care Facilities

More evidence that private operators do not deliver LTC facilities more cheaply is provided by financial surveys of contracted long-term care projects in B.C. The provincial Seniors Advocate recently completed a detailed survey of the operations and finances of contracted LTC facilities in the province, covering both for-profit and non-profit facilities. The report did not review financial metrics for the roughly one-third of LTC beds provided by facilities directly operated by health authorities; it only covered contracted facilities (for-profit and non-profit) which receive public subsidies.

In its breakdown of how subsidized facilities spend their revenues, the research uncovered a stark difference in building-related costs between for-profit and non-profit operations. On average, for-profit LTC facilities spent over $15,000 per bed per year on building costs (Figure 3), 65% more than non-profit facilities. This total includes amortized land and construction costs, financing costs (such as interest payments on construction borrowing), and repairs. These long-run capital costs are ultimately borne by the provincial government through the subsidies it pays to for-profit operators. Those subsidies cover three-quarters of total costs (the rest coming mostly from resident co-pays), including higher building costs.

Therefore, the assumption that private operators are automatically more efficient and prudent in allocating capital and controlling costs is thus not consistent with empirical reality. Various factors contribute to higher building costs in for-profit LTC facilities, the most important being higher debt financing charges faced by private suppliers and high costs for land acquisition.

Figure 3: Building Costs in Contracted Long Term Care Facilities, 2021/22



Source: Calculations from Office of the Seniors Advocate (2023).

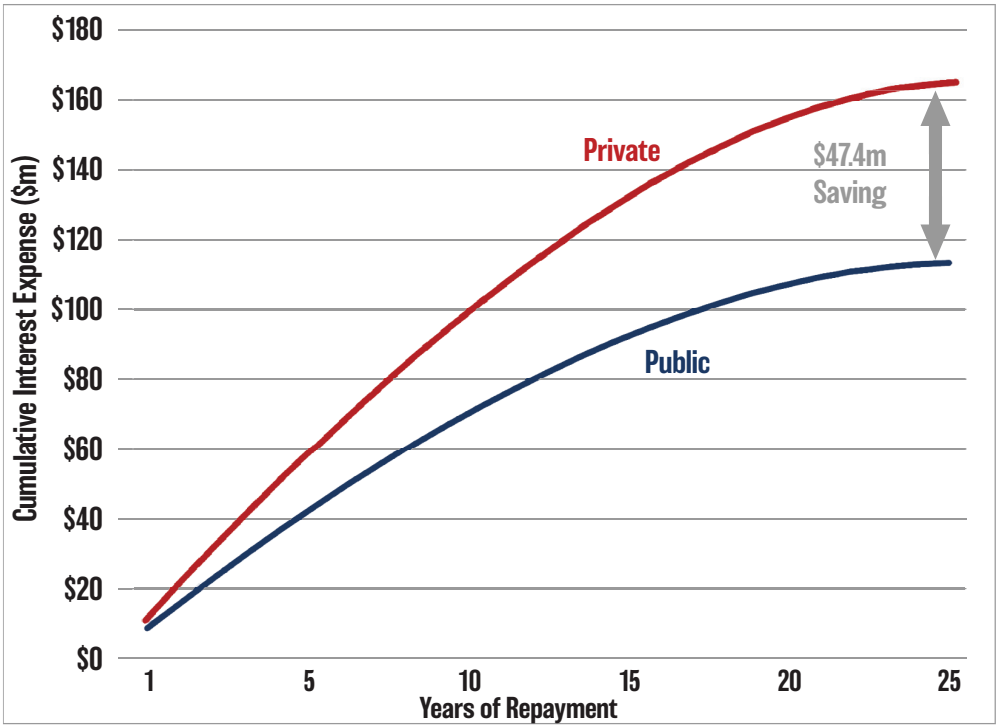
F. Higher Debt Charges Result in Higher For-Profit Construction Costs

Much attention has been given to the deficit and debt challenges facing governments since the COVID pandemic, and higher interest payments that result. It is often overlooked, however, that governments incur much lower borrowing costs than private firms or investors. Their bonds are considered among the most secure of any investment asset. As a result, the B.C. government pays interest rates on debt significantly lower than required for private corporate borrowers. The government's most recent 10-year bond offerings, for example, pay an interest rate to lenders of 3.9% per year.[6]

In contrast, private companies pay significantly higher interest rates to borrow money, because they face a much greater risk of defaulting on repayment. Indeed, other than a default by Alberta in 1936, no provincial government has ever defaulted on loan obligations, so the risk of default is effectively zero. The higher interest rates paid by private developers add dramatically to their overall operating costs.

Figure 4 illustrates the fundamental disadvantage facing private developers of publicly-funded capital projects. Imagine a $200 million investment in a new LTC facility. Over a 25-year repayment period, provincial borrowing (at that 3.9% rate) would entail $117 million in interest charges. Even a very credit-worthy private developer (this simulation uses 5.26%, the average interest rate paid in 2025 by Extendicare, Canada's largest for-profit LTC provider) would pay 41% more in cumulative interest. That extra interest cost adds 24% to the capital cost of the whole project. Lower financing cost is thus a primary reason why construction of public projects should remain in the public sector.

Figure 4: Comparative Interest Costs on Public and Private Borrowing



Source: Simulation based on Ministry of Finance of B.C. (2026) and Extendicare (2026).

6 Ministry of Finance (2026b).

G. Increased Costs and Risks Associated with For-Profit LTC Development

Financing costs are just the largest source of higher costs associated with private development and operation of LTC facilities. There are other ways in which for-profit LTC development imposes additional costs and risks on the government and its taxpayers – who, after all, are still paying the ultimate costs (including capital and construction costs) for the service. Abundant painful experience with publicly-subsidized but privatized service delivery confirms that assumptions about the inherent efficiency and cost competitiveness of private providers are not justified. Table 2 considers several of these incremental costs and risks if government permits the expansion of private for-profit LTC in B.C. – and, on the other side of the coin, several of the cost advantages of public delivery.

TABLE 2
Costs and Benefits of Private vs. Public LTC Development

Extra Costs of Private Development	Potential Savings from Public Development
Higher private debt and finance costs can add 25% or more to the life-cycle capital cost of new projects.	Access to lower-cost capital (based on low interest rates paid by government) reduces life-cycle cost of public builds.
Administration, contract, transactions, monitoring, and enforcement costs add millions to the cost of contracting services from for-profit providers. Conflict of interest and regulatory capture are regular problems in privately-delivered public services (Reynolds, 2015).	Public sector construction and service delivery is subject to rigorous governance and accountability practices, allowing the direct application of policies and standards (rather than developing duplicate bureaucracies to oversee private contractors).
Private developers add a profit margin to the full budget of project expenses (including capital, finance charges, and operating expenses). B.C. data indicates for-profit LTC facilities receive an average profit margin of 7% on all revenues (including allowances for capital costs).[7] Profit averaged almost $7500 per resident per year. That accounts for over half of the $12,000 per resident shortfall in direct care costs that also occurs in for-profit homes (discussed below).	Public and non-profit LTC facilities deliver services essentially at the cost of delivery, with no need for a profit margin. Not needing to pay private profit gives public and non-profit operators a 7% 'head start' compared to the costs of for-profit LTC. This saving is amplified by the fact that many non-profit and public LTC facilities also receive supplemental financial support from charities and other community sources.
Unlike provincial governments, private firms face risks of financial distress or insolvency (Loxley, 2020). This usually requires public intervention to rescue the operation and prevent disruption to residents (as occurred with bailouts of private LTC facilities during the COVID pandemic).	By developing multiple LTC sites in sequence, public LTC construction can reduce costs through standardized design, greater scale of procurement, and efficiently staged construction timetables.
Private LTC developments must purchase or allocate appropriately-zoned land for projects. This is expensive, but also creates opportunities to profit from land value escalation. Many for-profit LTC chains are valued more for their real estate holdings, than the services they provide.	Public LTC facilities can be constructed on public lands, and can also be co-located with existing health facilities or other public infrastructure. In addition to reducing costs, this facilitates opportunities for better integration with complementary services (like clinics or transit).

7 Office of the Seniors Advocate, 2023, p. 18.

H. Past Financial Losses from Private Construction of Public Facilities

For decades, corporate interests have pushed for the privatization of physical and social infrastructure traditionally provided by governments. They see lucrative profit opportunities in expanding into the public sector. Privatization schemes come in many forms: private operation of public assets, build-and-lease arrangements, public-private partnerships, and more. In every case, government retains responsibility for the continuing costs of public services – so this is not true "marketization". But private companies can then capture a lucrative stream of those ongoing public payments in the form of private profits.

The impacts of these varied privatization schemes have been studied by economists and accountants in many countries, including Canada. Evidence is clear that promised cost savings from shifting responsibility and ownership of public projects to private-sector players does not save money for governments and taxpayers. To the contrary, the ultimate long-run costs (including long-term obligations for lease or subsidy payments to private developers) are usually higher. Table 3 summarizes just a few examples of privatized public capital projects (including in B.C.) that went awry.

TABLE 3
Selected Instances of Private Construction Mismanagement

Location	Sector	Summary
B.C.	Health Care	Auditor General review of privately contracted construction of 16 facilities (including LTC facilities) showed average cost of capital (7.5%) was almost twice the government's own borrowing cost (4%)
B.C.	Highway	Present-value cost of leased private construction for Sea-to-Sky Highway was 29% ($218 million) higher than conventional procurement, mostly due to higher financing costs.
Winnipeg	Bridge	Leased private construction of the Charleswood Bridge added $11 million extra cost over 30 years (due to interest costs at 11% instead of 4%) to the $45.8 million cost of construction.
Nova Scotia	Schools	Leased private construction and capital maintenance for 39 schools added $52 million in additional cost (7%) over a 20-year payment period; some operational responsibilities were outsourced back to local school boards.
Toronto	Light Rail	Construction of Eglinton crosstown LRT outsourced to private consortium; project was completed 6 years late and $1 billion over budget (contrary to projected 'value for money' savings of $2.2 billion).
Montreal	Hospital	Public and private officials convicted in $22.5 million bribery case over award of construction contracts for new McGill University hospital to SNC-Lavalin; largest corruption case in Canadian history.
Ontario	Public Facilities	Auditor General review of 74 leased private construction projects for public facilities identified extra costs of $8 billion, mostly due to higher debt financing costs.
France (CPP)	Long Term Care	Canada Pension Plan Investment Board lost $500 million on distressed sale of stake in private LTC provider Orpea, following revelations of fraud in construction expansion and resident abuse.

Source: Compiled from Canadian Press (2018, 2026); Centre for International Corporate Tax Accountability and Research (2024); Editors, Winnipeg Free Press (2024); Offices of the Auditors General of B.C. (2014), N.S. (2010), and Ontario (2014); Ontario Infrastructure and Lands Corporation (2016); and Shaffer (2006).

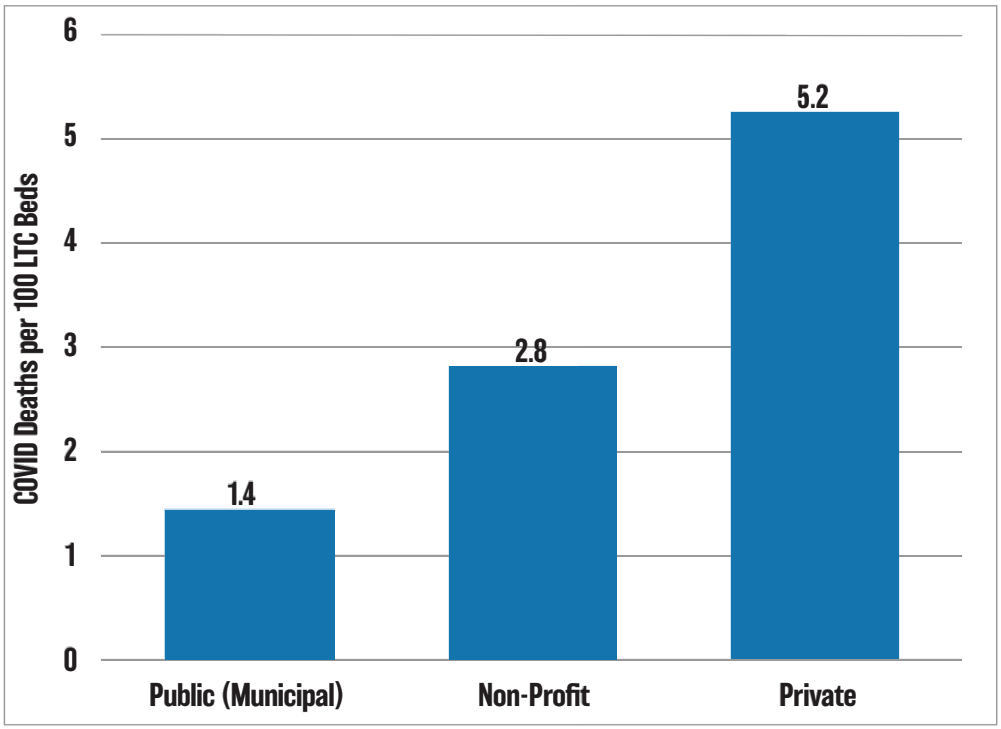
I. Quality and Safety are Sacrificed in For-Profit Long Term Care

Retreating from the needed expansion of public LTC provision creates a void into which private providers will gladly step. In addition to foregoing the immediate economic benefits of public LTC investment (described below), this retreat will also expand the long-term role of private provision in the overall LTC system. The private for-profit share of total LTC provision has been broadly stable in recent years, accounting for slightly over one-third of total beds. Freezing the construction of new public spaces, amidst a growing need for LTC services, will increase dependence on for-profit LTC in the future. And that creates long-run risks to the quality and safety of care.

Abundant clinical research shows that care quality and health outcomes are far superior in public and non-profit LTC facilities, compared to for-profit operations which ration expenses on direct care, staffing, and infection control in the interests of boosting bottom-line profit.[8] B.C.'s Seniors Advocate found that contracted non-profit LTC providers spent 25.3% more on direct care per resident than for-profit facilities, a differential of $12,000 in foregone care support per resident per year.[9]

A horrifying reminder of the risks of for-profit LTC was provided during the COVID pandemic, when thousands of seniors in LTC died from inadequate infection control and other safety measures. As shown in Figure 5, the COVID death rate in for-profit LTC facilities in Ontario was almost 4 times higher than in public care facilities (run by municipalities in that province), where care is not sacrificed for profit. Similar studies in other jurisdictions also document the superior care provided by public facilities.

Figure 5: COVID Fatality Rates in Ontario LTC Facilities by Type of Ownership, 2020



Source: Mancini et al. (2020).

8 See Armstrong and Armstrong (2020), Brown et al. (2021), Ronald et al. (2016), and Stall et al. (2020).
9 Office of the Seniors Advocate (2023).

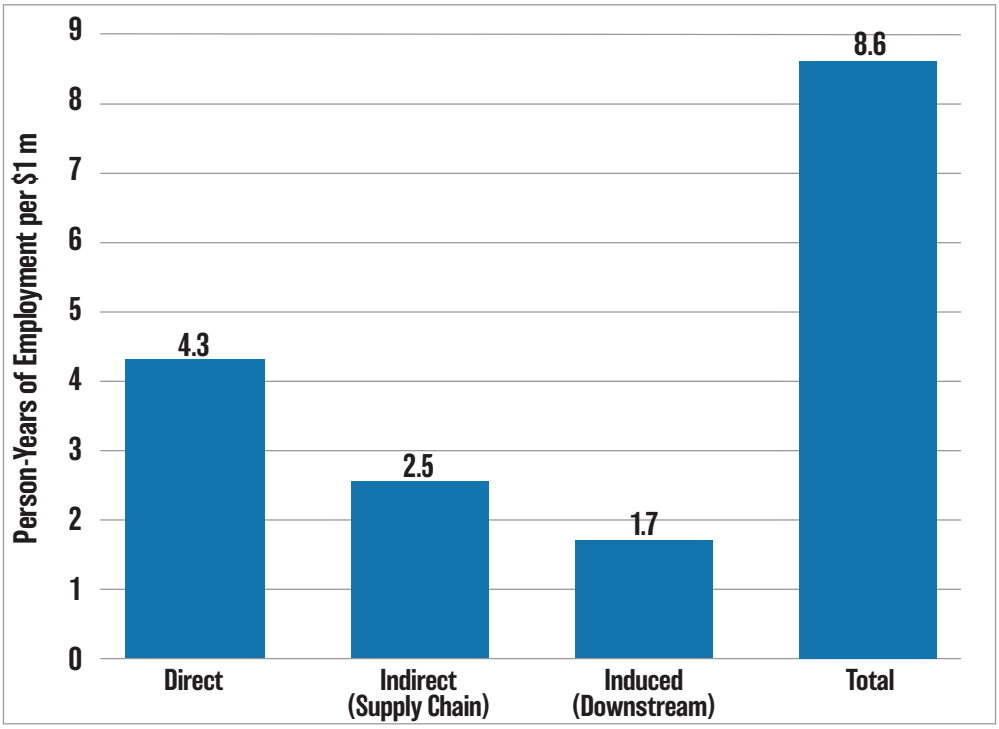
J. Investments in Long Term Care Facilities Drive Economic Growth

Capital investment, by both private firms and public agencies, is one of the most potent leading forces in economic growth. Strong investment spending generates multiple spin-off economic benefits. First, there is the direct employment and value-added associated with the investment project itself: value-added produced by the construction and other workers hired to build it. Investment also boosts upstream activity in the supply chain which feeds into a new project: everything from building materials and specialized equipment, to services and utilities. These are called "indirect benefits" in economic research. Finally, consumer spending by workers hired on the project (and in its supply chain) generates new demand across the myriad of downstream consumer industries supplying everything from home building to restaurant meals. These are known as "induced benefits" in economic studies.

Capital spending on new LTC facilities generates substantial economic benefits in each of these categories. According to research from the Conference Board of Canada (Gibbard, 2017), each $1 million spent on new capital projects in the LTC sector generates 4.3 direct person-years of employment in direct construction activity. In addition, it supports 2.5 more jobs in the upstream supply chain (indirect benefits), and 1.7 more jobs in downstream consumer goods and services industries (induced benefits). In total, each $1 million investment supports 8.6 person-years of work (Figure 6).

Future investments in LTC projects would thus contribute significantly to employment and GDP growth in B.C. That growth, in turn, would also boost future government revenues (thanks to taxes paid from all that direct, indirect, and induced activity). The Conference Board concludes that 22% of the upfront capital cost on LTC projects comes back to government in the form of increased revenues.

Figure 6: Employment Multipliers from Long Term Care Construction



Source: Calculations from Gibbard (2017). Investment in $2017 terms.

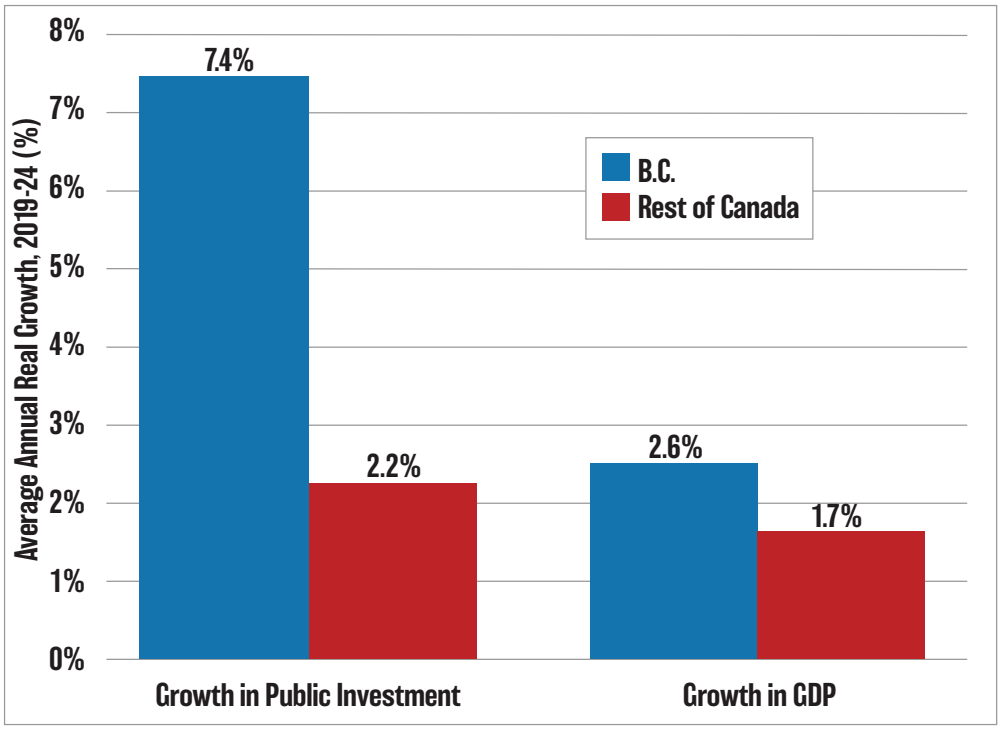
K. Public Capital Investments Produce Strong Economic Benefits

These direct, indirect, and induced economic benefits from strong public investment are visible in B.C.'s own recent economic history. The NDP provincial government has made strong commitments over its time in office to an ambitious program of public investment, in multiple areas of the economy: health care, education, transportation, energy, and more. This strong public investment record has contributed to B.C.'s provincial debt, to be sure – although, as explained below, that debt is largely balanced by the expansion of public assets owned by the province, so the government's balance sheet is not weakened. Strong public investment has also contributed to superior economic performance in B.C. during this period, supporting growth and job-creation that has been significantly stronger than other provinces.

Over the most recent five-year period for which data is available (to end-2024), real public investment in B.C. grew at an average rate of 7.4% per year (see Figure 7). Provincial government investment was the main source of that growth, supplemented by smaller investments from federal and local governments. In the same period, B.C.'s provincial GDP grew 50% faster than the average in other provinces: rising at an annual average rate of 2.6%, compared to 1.7% in the rest of Canada. That was the second fastest of any province (behind only P.E.I.). This is hard evidence that investing in public physical and social infrastructure is not just a "cost", it truly is an investment – one that lays the basis for stronger economic performance, healthier government revenues, and most importantly enhanced well-being.

In sum, strong public investment has been a key engine for B.C.'s economic growth and rising real incomes in recent years. Given the economic uncertainty arising from Donald Trump's attacks, the current energy price shock, and more, this is hardly the time to turn off that engine.

Figure 7: Public Capital Spending and Economic Growth, B.C. and Rest of Canada



Source: Calculations from Statistics Canada Table 36-10-0222-01.

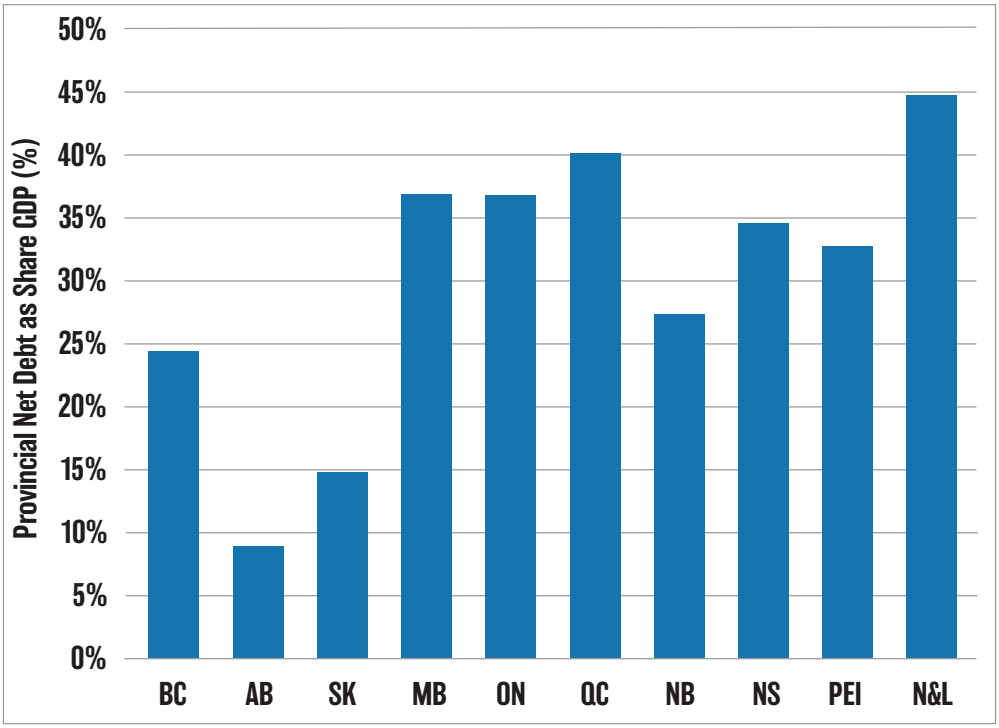
L. B.C.'s Debt is Low Compared to Other Provinces

The B.C. government has incurred significant budget deficits in recent years. This reflects the challenges of providing public services in the context of major economic shocks (such as the COVID pandemic and Donald Trump's tariff attacks). It also reflects the government's deliberate (and appropriate) policy choice that it is more important to continue providing essential quality public services to provincial residents, than to impose austerity.

Despite doomsday rhetoric about provincial finances coming from some quarters (especially business lobbyists, who want smaller government and lower business taxes no matter what the economic environment), B.C. continues to enjoy one of the smallest accumulated debt burdens of any province. In the current fiscal year, according to comparative data from RBC Economics (2025), B.C.'s net financial debt ranks as the third-lowest of any province – behind only Alberta and Saskatchewan (Figure 8).

Moreover, in regards to decisions regarding continued long-run capital investment, simple net financial debt comparisons do not tell the whole story. When a government borrows to fund a long-lived public capital project (like a LTC facility), it adds to the accumulation of financial debt. But it also adds an asset – the value of the new facility – to its balance sheet. Governments which invest more in public capital, as B.C.'s has, naturally carry more debt, but their overall financial situation (once the value of those assets is also considered) is not harmed. The provincial government has fiscal capacity to finance continued public investments, and the economic benefits of investments in public LTC (including appreciating land values, expanded economic activity, and reduced future health costs) will contribute to B.C.'s fiscal (and social) well-being for decades to come.

Figure 8: Provincial Net Debt as Share of GDP, 2025/26



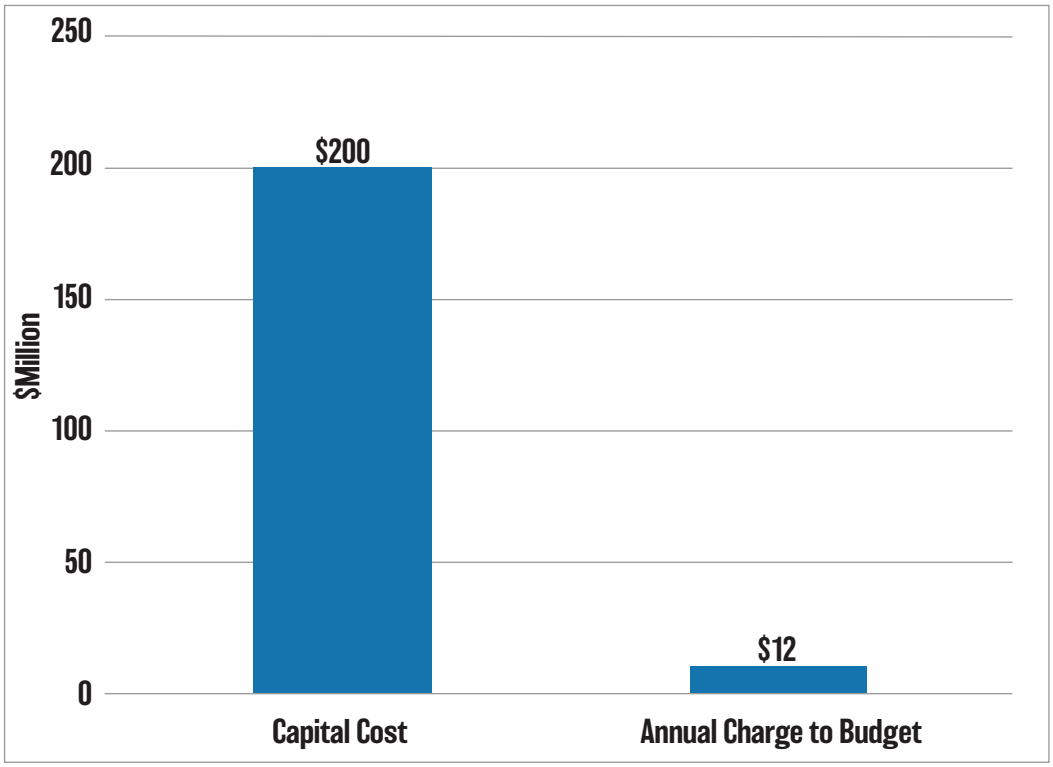
Source: RBC Economics (2025).

M. Capital Spending Adds Only Modestly to the Deficit

There is a common misperception that the provincial government's ability to fund long-lasting capital projects is constrained by its need to balance its annual budget. In reality, there is little connection between long-term capital investments and the annual deficit. As for other economic stakeholders (like businesses or households), it is both legitimate and efficient for long-lived investments to be financed through borrowing. The up-front cash requirements of major investments (like buying a house, or investing in a new factory) are usually too large to finance from cash on hand. Moreover, the long-run economic returns from those investments justify ongoing interest expense associated with borrowing.

Public accrual accounting principles require capital investments to be amortized over a period of time reflecting each asset's productive life.[10] Under B.C. rules, buildings are amortized over a 40-year life, and most machinery and equipment over a 5-year life. Therefore, each year the annual budget is charged with an equal share of a project's total capital cost, proportionate to its expected life. In the example in Figure 9, a $200 million capital investment – say, for a new LTC facility – would result in a $12 million annual budget charge each year of its life (assuming 80% of the investment was for the building, and the rest for equipment). Even including interest costs (assuming the project was funded through borrowing), the annual budget cost of this project would be less than one-tenth its up-front cost. If used to finance long-lived productive assets that fulfil a social and economic purpose, government borrowing (just like household and corporate borrowing) is prudent and economically efficient. Long-run investment projects should not be sacrificed for the sake of short-run deficit reduction.

Figure 9: Capital Cost vs. Budgetary Expense, $200 Million Construction Project



Source: Simulation based on Government of British Columbia (2026c).

10 The B.C. government's rules are explained in Government of British Columbia (2026c).

N. Conclusion and Recommendations

The acute need of B.C.'s ageing population for more LTC capacity is undeniable. The provincial Ministry of Health projects 16,000 more net beds must be created in the next decade to reduce long waiting lists, and ease the hardship and anguish of families and caregivers struggling to care for loved ones in their final years of life without adequate supports. Stepping back from a commitment to expand high-quality public LTC capacity does not ultimately save money – neither for government, nor for society. Worsening shortages of LTC spaces are effectively a form of social rationing: freezing out thousands of qualifying elders from services they need and deserve, with concomitant costs (financial and otherwise) to government, families, and society at large. As the Seniors Advocate has warned,[11] rationing access to LTC will increase costs elsewhere in the health and social systems, as elders confront more serious or emergency situations as a partial result of being denied appropriate care. Leaving families to fend for themselves in caring for their elders is a recipe for financial and emotional hardship. It will also cause growing inequality in society, since lower- and middle-income households can be financially devastated by the costs of arranging for care privately.[12]

Meanwhile, private for-profit LTC operators will take advantage of the freezing of public LTC construction to expand their role in the overall system. For-profit LTC businesses are not inherently cost-effective: the cost of their services is ultimately covered by taxpayers as surely as those delivered by public and non-profit facilities. Indeed, evidence shows the extra costs of debt financing, other building costs, and lucrative profit margins mean those services are more expensive than they need to be.

The B.C. government should provide firm timelines to fulfil its commitment to building the seven public LTC facilities deferred in the 2026 budget. The government says it is reviewing construction plans to find ways to reduce building costs, and to inform a revised construction timetable. It should complete that work, and provide a new and reliable timetable, by the time of the next provincial budget.

In addition to proceeding with those projects, and working in conjunction with health authorities, the provincial Seniors Advocate, and leaders of the non-profit LTC sector, the government should also develop a longer-run capital and construction plan to meet the needed 16,000 new spaces in an ambitious timeline. It will be challenging to meet that target within ten years, given the additional delays caused by this needless freeze on new public LTC construction. But the government should initiate planning to move toward that goal as soon as practicable.

Part of that longer-run LTC expansion plan can engage the non-profit segment of the LTC sector in B.C. Non-profit facilities also provide high-quality care, undistorted by the urge to cut corners in order to fatten profit margins. The provincial government can accelerate non-profit LTC expansion by providing capital funding and development supports to non-profits, including health authorities, also in time for the next budget. These efforts could learn from the experiences of Ontario's new Capital Funding Policy (Government of Ontario, 2025), but supports should be limited to non-profit providers.

Furthermore, the B.C. government should follow the advice of health experts (such as Brown et al., 2021) who have raised alarm about the sub-standard safety and quality standards of private LTC, and stop issuing licenses and supply contracts for new for-profit LTC facilities. Gradually reducing the

11 See Palmer (2025).
12 See Forden (2026).

province's heavy reliance on for-profit LTC over coming decades (as existing private facilities age and depreciate) should be a parallel goal, complementing the government's recommitment to expansion of public and non-profit LTC facilities.

To be sure, in addition to a responsibility to meet the future LTC needs of the older population, government also has a responsibility to shepherd public resources prudently and efficiently, and ensure that the public derives maximum value from future public investments. This is true for any public undertaking. Recent rhetoric about purportedly inflated construction costs for public LTC facilities needs to be carefully interrogated. An evidence-based and neutral review of LTC construction costs in the public, non-profit, and for-profit segments of the provincial system should be undertaken and made publicly available. In addition to countering misleading narratives about the supposed 'efficiency' of for-profit operators, such a review would provide valuable perspective on ways that future public LTC expansions can achieve maximum cost effectiveness as well as high quality.

Purported capital cost escalations should not be used as an excuse for inaction. Instead, this should be a challenge to political and public service leaders to find innovative solutions that allow additional LTC capacity to be built efficiently and sustainably. Promising avenues to explore in this regard include:

- Unlocking public lands to use for public LTC expansion.
- Co-locating public LTC facilities with complementary facilities (including clinics and hospitals), to share land and infrastructure, and facilitate shared services.
- Review existing standards regarding room size, facilities, and other building standards to ensure that specifications for public LTC builds strike a proper balance between top quality and affordability, and that public, non-profit, and for-profit providers are subject to the same high standards.
- Develop standardized designs, procurement policies, supply chains, and preferred building contractors to accelerate sequential public LTC builds and reduce costs through economies of scale and standardization.
- Establish an arms-length non-profit LTC development corporation, akin to BC Hydro or BC Ferries, that can raise capital independently on the basis of future revenue streams from provincial LTC subsidies (just as for-profit LTC providers already do); this would shift some of the long-term debt associated with new LTC developments to an independent entity.
- Explore accessing CMHC guarantees for new public and non-profit LTC construction projects, further reducing capital costs associated with expanded capacity (many private providers already access this benefit).

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