

Unlocking the Potential of Community-Owned Affordable Housing in Metro Vancouver

November 16, 2023



Vancity
Community
Foundation

Vancity Community Foundation operates on the lands of many Indigenous Nations. We bring our hearts and minds together and acknowledge the territory of these nations.

Our office, 312 Main, is located on the unceded territories of the x^wməθk^wəy'əm (Musqueam), Skwxwú7mesh (Squamish) and səl'lwəta? /Selilwitulh (Tsleil-Waututh) Nations.









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EXECUTIVE SUMMARY

INTRODUCTION

The lack of stable and affordable housing is unquestionably one of the most significant challenges facing Metro Vancouver. On average, more than 10,000 affordable rental units are being lost every year.¹ As a result, less than a third of all low-income households now have access to affordable housing (that is less than 30% of their income), while nearly half pay more than 50%, and are vulnerable to homelessness.² Moderate- and middle-income households are also faced with rising shelter costs and unstable housing situations.

The objective of this project is to assess whether we are building enough of the right type of housing to address the affordable housing crisis. This project specifically looks at the role of non-market housing in delivering new supply.

¹ Between 2016 and 2021, the region experienced an average net loss of 12,872 rental homes a year that are affordable to households earning up to 56% of median household income for the region (\$50,000/year). Affordability is interpreted in this context as households paying up to 30% of their total income on shelter. Calculated from: Statistics Canada, 2021 Census, Table: 98-10-0253-01.

² 44% of all low-income households earning up to \$50,000/year in 2021 paid more than 50% of their income on shelter. Another 29% of households are still considered to have unaffordable housing and paid between 30 to 50% of their total income on shelter. Calculated from 2021 Census, Table: 98-10-0253-01.

METHOD

We quantify and assess future scenarios of rental housing development by representing three factors – demolitions, unit turnover (rent increases that occur when a home is vacated and rented by new occupants), and new construction. This enables us to investigate how the mix of housing (i.e., the share that is non-market) could increase affordability in the rental housing stock over a 20-year period.

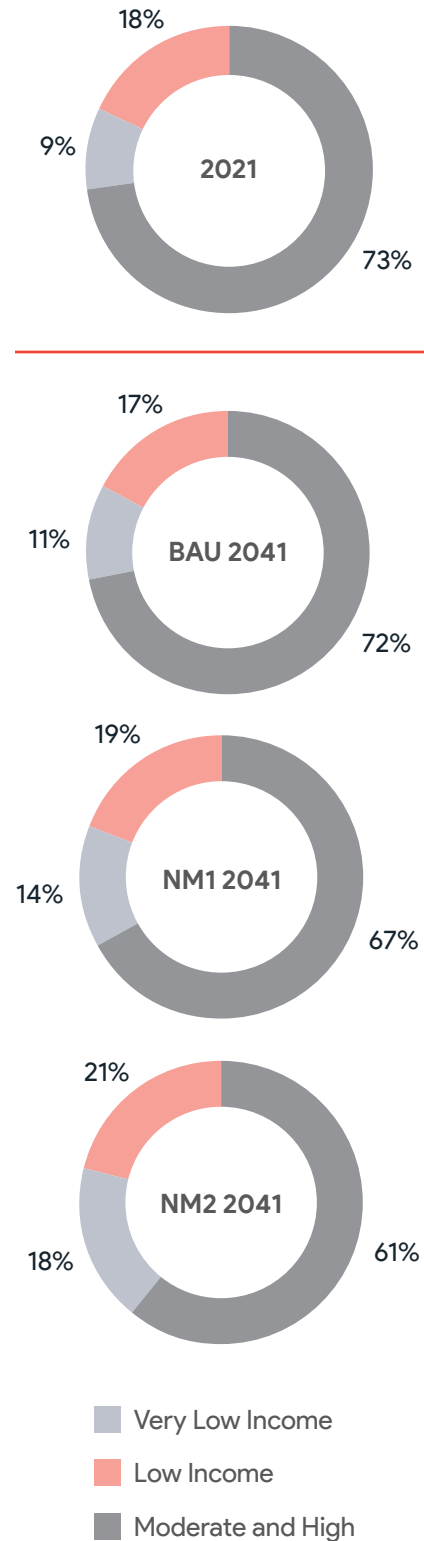
To do this we developed a spreadsheet model based on publicly available data. It sets up 3 scenarios:

‘Business as Usual’ (BAU) Scenario - Current and historical trends in the ownership and construction of new housing continue. Non-market housing completions are 14% of new rental housing supply, which includes both the primary and secondary rental markets.

Non-Market Scenario 1 (NM1) – There is an increased level of non-market housing though the acquisition of purpose-built market housing (1,780 units) and a greater share of non-market housing in new construction (up to 40% of new rental supply).

Non-Market Scenario 2 (NM2) – There is a stronger shift to non-market housing: the share of non-market housing in new housing construction rises to 70% of new rental supply, and 10,000 homes that are currently affordable are acquired by non-profits.

Figure 3. Share of low-cost homes in 2021 and as forecasted in 2041, all scenarios



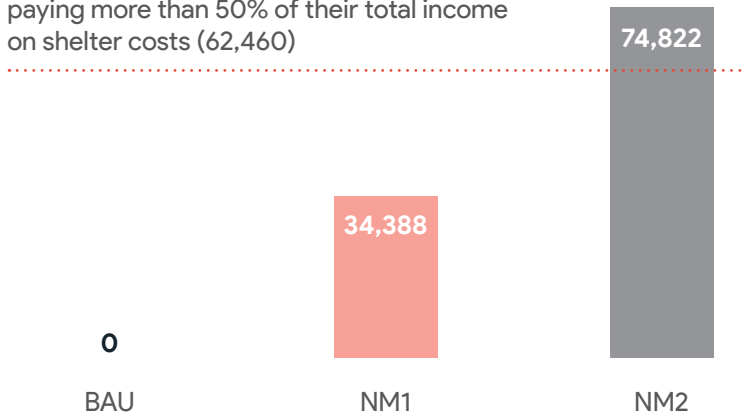
RESULTS

Considerably more rental homes would be available to low-income households in the non-market scenarios. In the BAU scenario, the relative share of low-cost homes changes little over time (by 1%). In the Non-Market scenarios, this share increases by 6% and 12% for NM1 and NM2 respectively. This results in an additional 34,388 homes for low-income households in the NM1 scenario and 74,822 homes in the NM2 scenario.

If we are able to build the amount of non-market housing that is modelled in the first non-market scenario (NM1), it could enable over half of the households (34,388) that are in very precarious housing situations to be able to access secure, affordable housing.³ All of these housing needs would be met and surpassed in the second non-market scenario (NM2). This could have a substantial impact on future levels of homelessness in Metro Vancouver.

Comparison of the added supply of low-income rental homes in the scenarios to the number of households most at risk of homelessness

Current number of low-income households paying more than 50% of their total income on shelter costs (62,460)



By 2041, monthly shelter costs would be 7% to 14% lower in the non-market scenarios compared to the BAU scenario. It would also result in substantial cost saving across all renter households - \$4.05 billion in NM1 and \$6.68 in NM2.⁴ Savings in rent would be applied to many other types of needs such as food, transportation, childcare, and savings for post-secondary.

IMPLICATIONS

Increasing all types of housing supply is important and will help address affordability in Metro Vancouver, especially for middle-income households. It will also enable those who have held back in starting a household to start one and will help manage additional immigration to the region. However, new housing supply alone will not address the needs of people who are experiencing the most challenges in maintaining housing in the current rental housing market. In Metro Vancouver there are more than 60,000 households (156,150 people) in this situation. 'Filtering down' — when

³ Of the 142,135 households that have total incomes of less than \$50,000/year, 44% (62,460) pay more than 50% of the income on shelter. Another 29% (40,970) pay between 30 and 50% of the total income. Only 27% (38,705) are currently in housing situations that are affordable.

⁴ Net present value, 20 years, 8% discount rate.

higher income residents free up older, lower cost housing as new, more expensive housing is built — cannot be relied on to create affordable housing in a timely way for these households

Current construction levels of non-market housing are not anywhere near sufficient enough to meaningfully address housing insecurity for vulnerable households. Increasing this level to the non-market housing guidelines that are part of municipal housing targets from the B.C. Government would make significant inroads into addressing the precarity of housing for these households (as modelled in NM1). Going beyond this to move towards a housing system like the United Kingdom and many European countries would go even further to addressing this need

While market rents are expected to continue to escalate under conditions of short supply, rents in non-market housing will be more stable, and reflect only the costs of supplying the homes. Affordability of those homes will also increase over time.

MAKING IT HAPPEN

It will take the continued and growing commitment of the Federal Government and the Government of BC to support and work with non-profit partners plus determination on the part of local governments to encourage more non-market rental housing supply. While many recent measures meant to encourage rental housing in general will help, specific measures that target non-market housing development are needed.

Support Community-Based Organizations that Own Land Assets to Develop More Affordable Housing

Non-profit housing providers and housing co-operatives have land and buildings that can be (re) developed in a way to increase the number and quality of their units. Other community-based organizations that own land can be supported to develop affordable housing for the first time. Despite the value of their assets, non-profits struggle with limited funds. Access to capacity building, early-stage capital and technical support is critical to moving projects forward. Investment by government and private sector partners is key to expanding programs like the Vancity Affordable Community Housing Program + Accelerator Fund which helps organizations overcome these barriers.

Increase Public Funding Support

More dedicated and co-ordinated financial resources from senior levels of government are needed to support the community housing sector to develop and operate affordable housing, particularly for equity-denied groups. As part of this, the federal government should make a clear funding commitment to a for-Indigenous, by-Indigenous national housing strategy and allocate the resources

required to implement year one of Aboriginal Housing Management Association's Urban, Rural, and Northern Indigenous Housing Strategy.

Acquire Existing Affordable Units

Acquisitions of existing market rental housing by non-profits can maintain the inventory of low- and moderately-priced homes. B.C.'s recent launch of an acquisition fund can be strengthened through the involvement of the federal government as well as commercial debt, private equity, and philanthropic funds. Other measures at various levels of government can support successful acquisitions, such as a non-profit right of first refusal to purchase properties, incentives to sell to non-profit buyers, and sufficient funding to rehabilitate/renovate and operate acquired housing.

Make Low-Cost Land Available for Non-Profit Development

Different levels of government can be critical in increasing the amount of land that is available for non-market development. Many municipal governments are not only prioritizing existing city-owned land and buildings for non-market housing development but are also acquiring and assembling land for this purpose. The Vancouver Community Land Trust Foundation's model of assembling and developing portfolios of city-owned land for permanent affordable housing could be significantly scaled. Grassroots community organizing is also leading to a growth in community land trusts across Canada.

Amend the Income Tax Act

The federal government could amend the

Income Tax Act to directly support non-market housing. This could include enabling charitable housing providers to build mixed-income housing developments and enabling more non-profit developers and affordable housing providers to register as charities. Introducing a capital gain tax exemption for affordable housing that is similar to that provided for ecologically sensitive land, could also incentivize the donation of land for affordable housing.

Transit-Oriented Development/Improving Land Value Capture Strategies

More could be done to capture the lift in land values related to investments made by public funding, such as transit. While most municipalities already capture a share of the increased land value, mainly ad hoc approaches can be reformed to be more effective, transparent, and predictable. The BC Transportation Financing Authority could potentially acquire land for the specific purpose of building affordable housing near transit stations and bus exchanges.

Strengthen Inclusionary Zoning

The provincial government could make legislative amendments so that municipal governments can mandate inclusionary zoning if they choose, enabling the creation of significantly more affordable homes that can be owned or leased to the community housing sector.

Strengthen New Models of Real Estate Investment and Development

Alternative investment and business models exist in real estate development that can be

further supported and scaled, and which can complement government funding support for affordable housing. This includes social finance and increasing the role of non-profit real estate developers. communities.

Look to other Municipalities Around the World

Municipalities everywhere are faced with challenges around affordable housing and have responded in resourceful and creative ways. There are many established and emerging practices that support affordability, including the development of non-market housing using different models that we can draw on in our own housing system. Interesting and relevant examples include Cambridge (Massachusetts), Montgomery County near Washington D.C. (USA), Vienna (Austria), Amersfoort (Netherlands), São Paulo (Brazil), Singapore, and Copenhagen (Denmark).

CONCLUSION

The housing crisis is more pressing than ever before in Metro Vancouver and in Canada. Access to affordable and safe housing results in other positive long-term benefits such as reduction of health risks and improvement of children's performance and success in school. To prevent a worsening situation, we must tackle housing challenges at a scale that can fully restore the availability of affordable and adequate housing options, especially for those with low incomes who are marginally housed. The community housing sector has a vital role in securing and leveraging land to build and deliver non-market housing that is permanently affordable in our

INTRODUCTION

The lack of stable and affordable housing is unquestionably one of the most significant challenges facing Metro Vancouver. On average, more than 10,000 affordable rental units are being lost every year.⁵ As a result, less than a third of all low-income households now have access to affordable housing (that is less than 30% of their income), while nearly half pay more than 50%, and are vulnerable to homelessness.⁶ Moderate- and middle-income households are also faced with rising shelter costs and unstable housing situations.

In response, purpose-built rental housing is once again being developed in Metro Vancouver. This includes significant investment in supportive and transitional housing for those who are unhoused, as well as incentives and funding for new purpose-built rentals and non-market housing. These actions are encouraging, but will they be sufficient to provide the rental housing that is needed quickly enough,

⁵ Between 2016 and 2021, the region experienced an average net loss of 12,872 rental homes a year that are affordable to households earning up to 56% of median household income for the region (\$50,000/year). Affordability is interpreted in this context as households paying up to 30% of their total income on shelter. Calculated from: Statistics Canada, 2021 Census, Table: 98-10-0253-01.

⁶ 44% of all low-income households earning up to \$50,000/year in 2021 paid more than 50% of their income on shelter. Another 29% of households are still considered to have unaffordable housing and paid between 30 to 50% of their total income on shelter. Calculated from 2021 Census, Table: 98-10-0253-01.

particularly to address the needs of low-income households, now and in the future? What role should non-market housing have in the delivery of new supply?

The objective of this project is to assess whether we are building enough of the right type of housing to address the affordable housing crisis. This project specifically looks at the role of non-market housing in delivering new supply. We bring together publicly available data in an analytical model to quantify the potential role and impact of non-market housing to restore affordability for low-income households. We assess alternative scenarios of rental housing development in Metro Vancouver that incorporate different mixes of market and non-market housing. This spreadsheet model is applied to Metro Vancouver but could be equally applied to other regions and municipalities in the province and beyond.

The report begins by describing the method we used to forecast rental housing over 20 years. We do this for three scenarios – one which represents a Business as Usual case representing recent housing construction trends, and two alternative scenarios that have a greater emphasis on non-market rental housing. We go on to present the results of these scenarios that include an estimate of the availability of affordable housing in the future. We also consider the potential impact and implications of increasing non-market housing supply and what would be needed in terms of policy to realize this potential.

As noted in the introduction, Metro Vancouver is experiencing a rapid decline in the availability of low-cost rental housing. This loss stems from the demolition of older rental buildings as well as rent increases that are most significant when a home is vacated and rented by new occupants (unit turnover). While some of the loss is offset by new non-market homes that offer subsidized rents, most new rental homes are expensive for low-income and even middle-income households.⁷

Box 1. What is Non-Market Housing?

Non-market housing is housing that is protected from market forces. Rents are made affordable through public and/or non-profit ownership of housing units – housing co-ops, land trusts and nonprofit housing corporations are all examples. In addition, the rent of non-market units can be subsidized to reach households with even lower incomes and supports can be added to enable people to stay in housing (social housing, supported housing).

Calls for more non-market housing come from many different corners including: [Canada-British Columbia Expert Panel on the Future of Housing Supply and Affordability](#), [National Accord on Housing](#), [the National Housing Council](#), and [Scotiabank](#).

Most OECD countries have housing systems that involve a much higher share of non-market housing.

⁷ Over time, new rental housing may become less expensive through a process of filtering. This process is discussed later in the Implications section.

METHOD

OVERVIEW

The model represents these three factors — demolitions, unit turnover and new construction — to forecast future rental housing supply. This enables us to investigate how the mix of housing (i.e., the share that is non-market) could increase affordability in the rental housing stock over a 20-year period.

The scenarios that we model are a 'Business as Usual' (BAU) scenario and two 'Non-Market' scenarios (NM1 and Nm2) that represent increased levels of non-market housing in future development. These are shown in Box 2.

HOW THE MODEL WORKS

Our housing supply model works by creating a complete profile of rental homes in 2021 and predicts what this will look like in 2041 (Figure 1).

Profile of Rental Stock

The categories of rental homes that are represented in the model are shown in Box 3. The categories represent different dwelling types and monthly shelter costs. The initial profile of rental stock is derived from Census and Canada Mortgage and Housing Corporation (CMHC) data.⁸ The model then forecasts how this housing changes over time to 2041, in five-year

⁸ See Appendix A for more information including data sources.

Box 2. Housing Scenarios

Business as Usual' (BAU) Scenario - Current and historical trends in the ownership and construction of new housing continue. Non-market housing completions are between 1,500 and 1,900 homes a year, or 14% of new rental housing supply. Total new supply includes the secondary market – accessory units and rented strata and single detached homes.

Non-Market Scenario 1 (NM1) - There is an increased level of non-market housing through the acquisition of purpose-built market housing (1,780 units) and a greater share of non-market housing in new construction (up to 40% of new rental supply). This scenario is based on considering current affordable housing initiatives and housing targets in B.C. that include guidelines for non-market housing development. It includes the B.C. Government's recent creation of a \$500 million non-profit acquisition fund, which is expected to support approximately 2,000 existing rental housing units to be acquired by non-profits across the province. Acquisitions are scaled down by the share of purpose-built apartment stock in Metro Vancouver relative to the rest of the province.

Non-Market Scenario 2 (NM2) - This scenario represents a stronger shift to non-market housing in new construction and the acquisition by non-profits of existing affordable, purpose-built homes, based on what has been achievable in other jurisdictions. The share of non-market housing in new housing construction rises to 70% of new rental supply, and 10,000 homes that are currently affordable are acquired by non-profits.

increments. In each period, some of the housing stock is demolished, the remainder increases in cost, and new housing is added. This results in a new profile of rental housing stock in 2041. For more details on the Rental Housing Profiles, see Appendix A.

Evolution of Stock Over Time

The model breaks down the forecast into four periods. In each period, the following occurs: demolitions, unit turns and new construction.

Demolitions

Metro Vancouver renters have been losing their

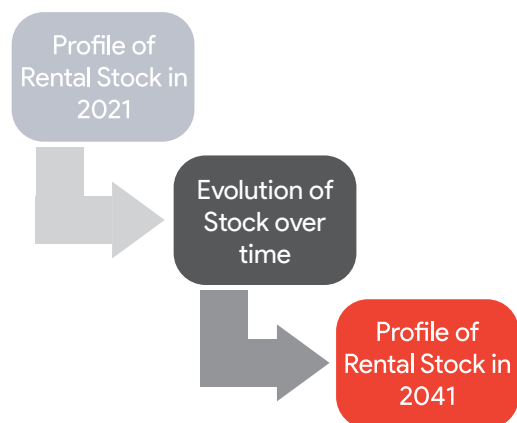
homes to demolitions in the region, particularly in older purpose-built rentals that have made way for new (mainly strata) development and suites in detached homes. This process is included in the model by using a ratio of demolitions relative to new construction.⁹ This ratio (12.6%) is applied to expected construction completions to yield a total number of demolitions. It is applied to the lowest cost units to reflect that demolitions would be concentrated in older buildings. The number of demolitions by dwelling type reflects the historical number of demolitions respectively for apartments and ground-oriented dwellings.

⁹ Derived from data in Metro Vancouver Housing Data Handbook, Table 2.10.2. Burnaby: Metro Vancouver Regional District, "Total Housing Demolitions for Metro Vancouver Jurisdictions, 2011 - 2021," December 2022.

Box 3. Rental Housing Categories

Primary Rental Market Dwellings		Monthly Shelter Costs
Market	Apartments and townhouses, Private ownership	Less than \$750
Non-Market	Apartments and townhouses	\$750 - \$1249
	Community Housing Sector-ownership	\$1250 - \$1999
	Includes both units with an on-going subsidy (shelter rate and geared-to-income), and non-subsidized units	\$2000 - 2999
		\$3000 - 3999
		\$4000+
Secondary Rental Market Dwellings		
Condominiums	Apartments and townhouses held in strata ownership rented through the secondary rental market	
Accessory Units	Accessory / secondary suites (e.g., garden and basement suites), Subdivided and multi-unit houses, Laneway houses	
Ground-oriented	Single detached homes, Mobile homes (Freehold)	

Figure 1. Model Representation



Unit Turnover

Low-cost rental homes are lost through rent increases which occur primarily when a unit is vacated and rented by new occupants. To represent this phenomenon, the model shifts a share of the units in the lowest shelter cost categories to the next highest categories to represent increases in shelter costs due to rent increases. For each period, the total number of units that will shift in this way is calculated based on historical shifts between the 2016 and 2021 Census.¹⁰ This applies to all rental units; however, non-market units shift at half the rate as market

¹⁰ In addition to units becoming more expensive, increases in shelter costs result from additions and demolitions to the rental housing stock. These are netted out to estimate the shift due to unit turnover. Statistics Canada, 2021 Census, Table 98-10-0253-01; 2016 Census. Catalogue Number 98-400-X2016228.

units.¹¹ In each future period in the model, housing units are removed from the two lowest shelter cost categories per dwelling type and allocated to the next highest shelter cost categories, such that the net change in units affects 16% of total rental housing units.¹²

Vancouver, of which 6,111 were purpose-built rentals (including accessory units).¹³

The model represents all of these dwelling types. Overall, 142,544 new homes are forecast to be built between 2021 and 2041; 66,009 of these

Table 1. Housing supply forecast - average annual completions, 2021-2041

	2021-2026	2026-2031	2031-2036	2036-2041
Average Annual Housing Completions*	30,388	37,385	37,385	37,385
Ownership – Strata and Freehold**	17,729	12,936	12,936	12,936
Rental Market - Primary	7,872	15,204	15,204	15,204
Rental Market – Secondary	9,543	12,776	12,812	12,865

Housing Construction

New rental homes are being created every year, both in the primary market through purpose-built construction and through the secondary market, where a portion of new strata condominiums and single detached homes are purchased as investment properties and rented. Accessory units are also added to the housing stock, through the conversion of space into basement and garden suites and as laneway houses. Between 2016 and 2021, there were on average 23,646 housing completions annually in Metro

are rental (purpose-built, including accessory units).

This forecast, shown in Table 1, assumes that more homes will be built every year, up to 37,385 total completions a year (up from 23,646/year historically) and 15,204/year for rentals (up from 6,111/year). The supply increase represents the B.C. Government’s housing targets with municipalities (net 38% over historical completions) which include replacing the number of dwellings demolished through redevelopment.¹⁴ While housing targets only

¹¹ This is based on differences between subsidized and non-subsidized data for the change in the number of households by shelter costs between the 2016 and 2021 Census.

¹² 16% is the net change derived from historical data from 2016 to 2021.

¹³ Metro Vancouver Housing Data Handbook, Table 2.10.2. Burnaby: Metro Vancouver Regional District, “Total Housing Demolitions for Metro Vancouver Jurisdictions, 2011 □ 2021,” December 2022.

¹⁴ Historical data are used from: Canada Mortgage and Housing Corporation, Housing Market Information Portal, “Historical Completions by Dwelling Type,” Source: CMHC Starts and Completions Survey, www03.cmhc-schl.gc.ca/hmip-pimh/en#Profile/1/1/Canada

currently apply to four municipalities in the Metro Vancouver region (as of October 2023), it is assumed that this target will extend to other municipalities in the region. It also assumed that 29% of new strata units and 16% of new single detached homes will be rented out.

RESULTS

The results of the analysis are summarized below in Table 2 and Figure 1-4. More detail can also be found in Appendix A. The scenarios differ by the average annual construction of new non-market rental homes and the acquisition of existing rental homes. This is shown in Table 2.

Table 2. Comparison of non-market housing completions and acquisitions between scenarios

Scenario	Average Annual Construction of Non-Market Homes	Acquired (2021-2041)
Business as Usual (BAU)	1,704	0
Non-Market 1 (NM1)	4,878	1,762
Non-Market 2 (NM2)	8,536	10,000

Figure 2. Total number of rental homes for 2021 and 2041, by scenario, broken down by primary and secondary rental markets

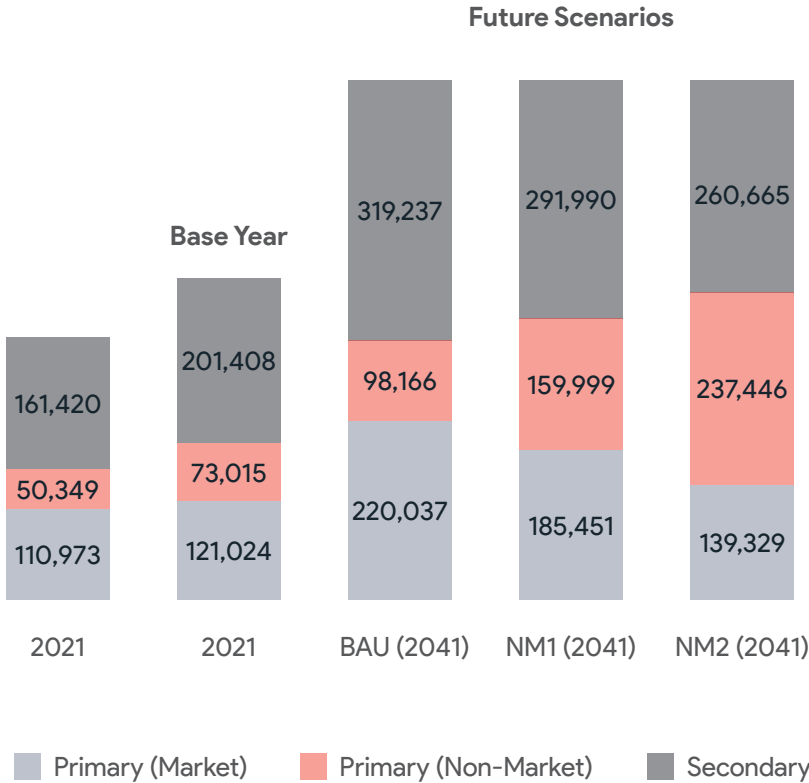


Figure 2 shows how the total stock of non-market housing changes as a result. In NM1 and NM2, non-market housing provides a greater share of overall rental housing stock in the region: 25% and 37% in NM1 and NM2 respectively (up from 15% in the BAU scenario).

This increases the share of non-market housing as part of the overall housing stock in the region (ownership and rental) to 12% (NM1) and 18% (NM2), up from 7% in the BAU. In NM1 scenario, 61,833 more households would be able to access non-market housing compared with the BAU scenario. This rises to 139,280 households in

NM2. More homes would be available to low-income households in these scenarios.

Figure 3 shows the share of low-cost homes in 2021 and as forecasted in 2041 in light grey and red. The light grey wedge indicates the share of total rental homes that would be affordable to households earning up to 33% of median household income ('very low'), and the red wedge shows homes that would be affordable between 33- 56% of median income ('low').¹⁵

In 2021, 'very low' corresponds to households earning up to \$29,999 a year, and 'low'

¹⁵ We consider affordable as 30% or less of total annual household income.

corresponds to households earning between \$30,000 and \$49,999/year. In the BAU scenario, the relative share of low-cost homes changes little over time (by 1%). In the Non-Market scenarios, this share increases by 6% and 12% for NM1 and NM2 respectively.

This results in an additional 34,388 homes in the NM1 scenario and 74,822 homes in the NM2 scenario. To calculate what would be affordable in the future, we forecast how incomes would change over the 20-year period. For more information on this process, and what incomes and rents look like over the time period, see Appendix A.

Forecasts of average monthly shelter costs by scenario are shown in Figure 4. By 2041, shelter costs are 5% and 11% lower for the non-market scenarios compared with the BAU scenario. During this same period, household incomes will also grow (See Appendix 1, which considers how incomes may grow relative to shelter costs).

Figure 3. Share of low-cost homes in 2021 and as forecasted in 2041, all scenarios

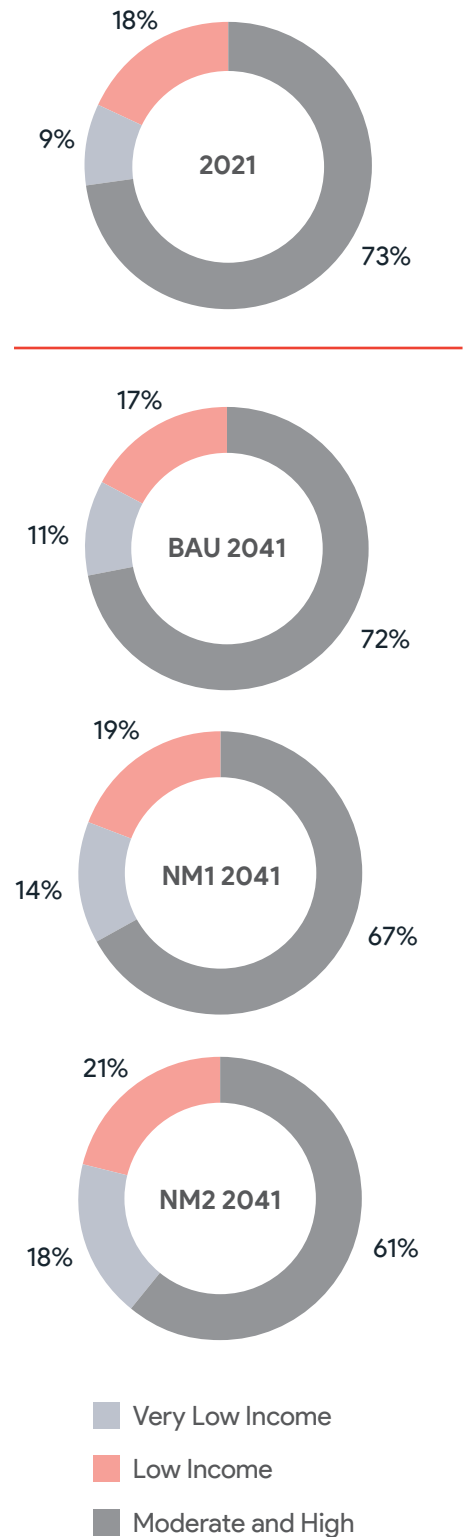
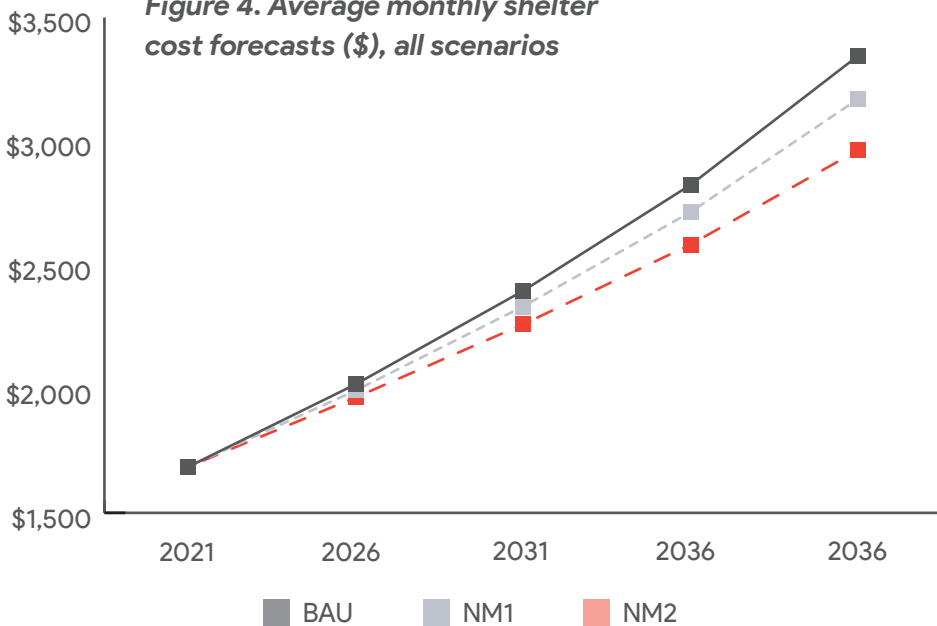


Figure 4. Average monthly shelter cost forecasts (\$), all scenarios



IMPACT

Increasing the amount of non-market housing as modelled in the non-market scenarios would have far-reaching impacts for individuals and the wider community. This section explores what the results could mean for increasing household income, reducing homelessness, improving housing stability and other important impacts.

Household Expenses

Households that spend more than 50% of their total income on rent have little left over for other expenses, let alone savings. Even above 30%, households are challenged financially and are vulnerable to crisis. Access to affordable housing can result in significant economic benefits. By multiplying the change in the number of households by shelter cost in the model between scenarios, it is possible to estimate how much households would save overall (Table 3). Savings in rent would be applied to many other types of needs such as food, transportation, childcare, and savings for post-secondary.

Table 3. Renter household cost savings, Non-Market Scenarios (Net present value, 17 years)

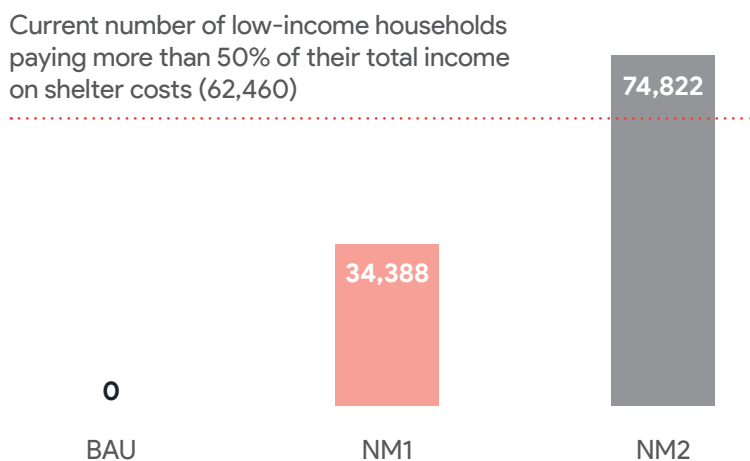
Scenario	Total cost savings, 2024-2041
Non-Market Scenario 1 (NM1)	\$4.05 Billion
Non-Market Scenario 2 (NM2)	\$8.68 Billion

Reducing Homelessness

Metro Vancouver Homeless Counts show that homelessness has risen considerably by 74% since 2014.¹⁶ Research is increasingly showing that homelessness is strongly linked to housing conditions and affordability.¹⁷ In recent research described in *Homelessness is a Housing Problem*, Gregg Colburn and Clayton Page Aldern tested a range of conventional beliefs about what drives the prevalence of homelessness in a given city and found that housing market conditions, such as the cost and availability of rental housing, provided the most convincing explanation.¹⁸

To understand how increasing non-market housing supply, as modelled in the scenarios, could reduce future homelessness, we can relate the increase in affordable rental homes to the number of households that are most at risk of homelessness (Figure 4). According to the 2021 Census, 142,135 households in Metro Vancouver have total incomes of less than \$50,000/year and are considered low-income. 62,460 households (44% of the total) are marginally housed and pay more than 50% of the income on shelter.¹⁹

Figure 4. Total number of rental homes for 2021 and 2041, by scenario, broken down by primary and secondary rental markets



These households are highly vulnerable to losing their housing and entering homelessness. Another 29% are still considered to have unaffordable housing and pay between 30-50% of their total income on shelter. Only 27% are currently in housing situations that are affordable.

If we are able to build the amount of non-market housing that is modelled in the first non-market scenario (NM1), it could enable over half of the households (34,388) that are in very precarious housing situations to be able to access secure, affordable

¹⁶ CBC News, "Vancouver-area homeless numbers show sharpest spike between counts since survey began," October 5, 2023. www.cbc.ca/news/canada/british-columbia/greater-vancouver-homeless-count-2023-1.6987718

¹⁷ For a summary of research related to Metro Vancouver: Bernie Pauly, Geoff Cross, Derek Weiss, *No Vacancy: Affordability and Homelessness in Vancouver* (University of Victoria and Union Gospel Mission, 2016).

¹⁸ Gregg Colburn and Clayton P. Aldern, *Homelessness is a Housing Problem: How Structural Factors Explain US Patterns*, (Oakland: University of California Press, 2022), Cover used with permission of the University of California Press.

¹⁹ Calculated from: Statistics Canada - 2016 Census. Table: 98-10-0253-01.

housing.²⁰ All of these housing needs would be met and surpassed in the second non-market scenario (NM2). This could have a substantial impact on future levels of homelessness in Metro Vancouver.

Housing Stability

A greater share of permanently affordable housing would mean that housing security would improve. Many renter households in Metro Vancouver have not been able to count on their housing situation to last. One in 10 renter households in B.C. in the 2021 Canadian Housing Survey (CHS) reported being evicted in the five previous years, significantly higher than any other province or territory in Canada.²¹ The majority, (85%,) were ‘no-fault.’ Tenants in non-market housing reported that they were less likely to be evicted.²² Data from a local community-based project, B.C. Evictions Mapping Project, gathers information on the impacts of evictions and sheds light on the challenges faced by households who must leave an affordable rental home (Box 4).

With more non-market rentals, there would also be fewer people reliant on secondary rental housing such as basement suites and rented condominiums, which do not offer the same housing security because homes can be removed very quickly from the long-term rental market. With fewer people having to move outside of their immediate community in order to seek housing, there would be less disruption to schooling, health care, social connections, and other supports.

Addressing Specific Housing Needs

Equity-deserving groups are disproportionately represented among low-income households facing

Box 4. Eviction Impact, B.C. Evictions Mapping Project

For tenants whose eviction notices listed “Landlord’s Use” as a reason for eviction:

- 12% had not found a new place to live.
- 79% of those who did find a new place to live faced rent increases, including 15% who faced rent increases of more than \$1,000 per month.
- 74% were displaced from their neighbourhood.

Tenants who were evicted for “Landlord’s Use” reported a variety of detrimental impacts, including:

- Homelessness
- Drastically increased rent
- Family separation
- Stress, anxiety, depression, suicidality and similar impacts on children
- Increased commute time
- Disruptions to children’s schooling, social life, relationships
- Involuntary co-living situations

First United (2023) B.C. Eviction Mapping: Interim Report May 2023

²⁰ Of the 142,135 households that have total incomes of less than \$50,000/year, 44% (62,460) pay more than 50% of the income on shelter. Another 29% (40,970) pay between 30 and 50% of the total income. Only 27% (38,705) are currently in housing situations that are affordable.

²¹ Understanding Evictions in Canada through the Canadian Housing Survey.

²² 4% faced eviction in social housing in the past 5 years compared with 6% in private rentals. Ibid.

housing insecurity. Increasing the role of non-market housing in our housing system can ensure that those in need of affordable housing the most can be prioritized, rather than relying on housing to be allocated by the market. Non-market housing can also respond to cultural and/or gender-based needs and design considerations.

This occurs when organizations that are developing and managing housing represent (and are led by) the community they serve. According to the HART tool that shows the percentage of households experiencing CORE Housing need, some of the households that disproportionately need affordable housing in Metro Vancouver are single-mother led, refugee claimant-led, black-led, over 85, over 65, under 25, new migrant-led, visible minorities and Indigenous.²³

Nationally, close to half of the total Indigenous population lives in a large urban centre (40.1%).²⁴ Metro Vancouver has the third largest urban Indigenous population in Canada, with the largest communities in Surrey and Vancouver. Indigenous people living in the region are a diverse population with unique housing and wellness needs. This community is also growing significantly, and the supply of culturally-appropriate housing has not kept pace with demand.^{25 26} In 2021, 9,150 urban Indigenous households that rented in Metro Vancouver were in CORE Housing need.²⁷ Indigenous people also continue to be vastly overrepresented in the homeless population.^{28 29}

The Aboriginal Housing Management Association (AHMA) has developed an expert-driven, research-based Indigenous Housing Strategy for BC.³⁰ AHMA's long-term vision is for every Indigenous community to access and reclaim their inherent rights to housing, including the 75% of urban Indigenous people in B.C. who do not live on reserve. This historic strategy is an integral step forward in claiming and protecting the social, economic and Indigenous housing rights of all urban, rural and

²³ *Housing Assessment Resource Project (HART), "Housing Needs Assessment Tool," hart.ubc.ca.*

²⁴ *Statistics Canada, "Indigenous population continues to grow and is much younger than the non-Indigenous population, although the pace of growth has slowed," The Daily, Sept 21, 2023. www150.statcan.gc.ca/n1/daily-quotidien/220921/dq220921a-eng.htm*

²⁵ *Zoë Greig, Tasha Henderson, Justin Wiebe and Meika Taylor, "Towards an Urban Aboriginal Housing and Wellness Strategy for Metro Vancouver, 2015-2020", Aboriginal Policy Studies, Vol.6, No. 1, 101-126 (2016).*

²⁶ *Surrey Urban Indigenous Leadership Committee, "A Call to Action: Surrey Needs More Indigenous Housing to Break the Cycle of Child Poverty," surreyindigenousleadership.ca/our-work/housing-solutions-lab.*

²⁷ *Metro Vancouver Housing Data Handbook, Table 6.4.4, "Population in Core Housing Need by Indigenous Identity and Tenure, Metro Vancouver Jurisdictions, 2021 Census," Burnaby: Metro Vancouver Regional District (2022). This estimate does not include on-reserve households.*

²⁸ *Although they make up 2% of the Census population for the region, 33% of the homeless people surveyed identified as Indigenous. Among them, 64% said they had personal or intergenerational experience with the residential school system.*

²⁹ *Homelessness Services Association of BC, "2023 Homeless Count in Greater Vancouver. Prepared for the Greater Vancouver Reaching Home Community Entity," Vancouver, BC (2023): 6.*

³⁰ *Aboriginal Housing Management Association, "British Columbia Urban, Rural and Northern Indigenous Housing Strategy," (2022).*

northern Indigenous Peoples in British Columbia.³¹

Other Impacts

Housing has also been linked to many other important impacts. Increasing the availability of affordable housing to lower income households will result in the following long-term benefits:

Economic

By reducing housing costs, more non-market housing will leave low-income households with more income available for other important expenses and savings, reducing difficult budget trade-offs. This increased spending power can have ripple effects as well in the community, increasing local purchasing power and leading to job creation and new tax revenues. Affordable housing has also been shown to have a neutral or positive effect on surrounding property values.³²

Health

Safe, affordable and accessible housing is a key determinant of health. Affordable and stable housing is important to aging and mental health recovery.^{33 34} By building permanently affordable housing, health risks associated with housing instability will be reduced, including:

- For children: general poor health, asthma, low weight, developmental delays, and increased lifetime risk of depression.³⁵
- For adults: reduced access to care, postponing needed health care, postponing needed medications, mental distress, difficulty sleeping and incidents of depression.

Education

Having stable and affordable housing can improve children's performance and success in school. In an extensive review of research evidence, Sandstrom and Huerta found that residential instability

³¹ Aboriginal Housing Management Association, "Community leaders stand together to advocate for Indigenous Housing," News Release, February 2, 2023.

³² A study of 13 non-market housing sites by BC Housing found the introduction of non-market housing to an area does not affect residential property values. Residential property value trends (sale/assessed values) followed similar trends in comparison to areas surrounding case study sites in almost all locations. BC Housing Research Centre, *Exploring Impacts of Non-Market Housing on Surrounding Property Values* (Burnaby: BC Housing, January 2020).

³³ For example, see Canada Mortgage and Housing Corporation (CMHC), "A Longitudinal Study of Housing for Mental Health Consumer Survivors," CMHC Research Highlight Socio-economic Series 10, no. 002 (2010).

³⁴ Sarah Knopf-Amelung, "Aging and Housing Instability: Homelessness Among Older and Elderly Adults," *Focus: A Quarterly Research Review of the National Health Care for the Homeless (HCH) Council* 2, no.1 (2013).

³⁵ Enterprise Community Partners, *Impact of Affordable Housing on Families and Communities: A Review of the Evidence Base*, Columbia, MD: Enterprise Community Partners, (2014).

leads to lower vocabulary skills, grade retention, increased high school drop-out rates, and lower adult educational attainment.³⁶

³⁶ Heather Sandstrom and Sandra Huerta. "The Negative Effects of Instability on Child Development: A Research Synthesis," *Urban Institute Discussion Paper* (2013).

IMPLICATIONS

Increasing housing supply overall is important and will help address affordability in Metro Vancouver, especially for middle-income households. It will also enable those who have held back or unable to start a household to start one (adult children living at home, people in roommate situations) and will help manage additional immigration to the region. However, new housing supply alone will not address the needs of people who are experiencing the most challenges in maintaining housing in the current rental housing market. In Metro Vancouver there are more than 60,000 households (156,150 people) in this situation. These are people in every municipality who

have housing but who would have very little to no financial ability to weather crises that come along — such as unemployment, health issues and eviction — and risk becoming homeless.

‘Filtering down’ — when higher income residents free up older, lower cost housing as new, more expensive housing is built — cannot be relied on to create affordable housing in a timely way for these households. Filtering is a theory with some empirical evidence, but with considerable uncertainty and gaps in knowledge.³⁷ A recent study that specifically looks at rental markets found that the degree of filtering is variable and

³⁷ Vicki Been, Ingrid Gould Ellen and Katherine O’Regan, “Supply Skepticism: Housing Supply and Affordability,” New York: NYU Furman Centre (2018).

low in housing markets with tight supply and low vacancy rates like Vancouver's.^{38 39} Another study, which specifically looked at Canadian rental markets, found that the process of filtering would have little impact overall on the rents of low-income households and would take decades to occur.⁴⁰ Without a significantly large influx of new housing, Vancouver will most likely continue to be a housing market that 'filters up' (higher income earners displace low-income earners in older housing) instead of down.⁴¹

Even with a National Housing Strategy in place since 2017 and non-market rental housing being built again, current construction levels are not anywhere near sufficient enough to meaningfully address housing insecurity for vulnerable households. Increasing this level to the non-market housing guidelines that are part of municipal housing targets from the B.C. Government would make significant inroads into addressing the precarity of housing for these households (as modelled in NM1). Going beyond this to move towards a housing system like the United Kingdom and many European countries

would go even further to addressing this need.⁴² Households that are low-income can also improve their housing situation through higher incomes which can be supported by policy, for instance, guaranteed incomes, higher social assistance and disabilities rates, living wage programs, and better designed income security and retirement plans.

The key challenge in building non-market housing is the matter of being able to fund upfront costs. The stream of rental income allows public investment in non-market housing to largely pay for itself, with minimal impact on the provincial budget balance.⁴³ The community as a whole also benefits from owning the asset and having housing that can be affordable in perpetuity. While market rents are expected to continue to escalate under conditions of short supply, rents in non-market housing will be more stable, and reflect only the costs of supplying the homes. Affordability of those homes will also increase over time. In 30-40 years, the pool of non-market homes established now can provide even deeper affordability. Deeper affordability, especially in

³⁸ Liyi Liu, Douglas McManus and Elias Yannopoulos, "Geographic and Temporal Variation in Housing Filtering Rates," (2021).

³⁹ Stuart S. Rosenthal, "Are Private Markets and Filtering a Viable Source of Low-Income Housing? Estimates from a 'Repeat Income' Model," *American Economic Review*, vol. 104, no. 2 (2014): 687-706.

⁴⁰ Andrejs Skaburskis and John Meligrana, *The Efficacy of The Filtering Process in the Supply of Housing to Lower-Income Canadian Households*, Prepared for Canada Mortgage and Housing Corporation (2004).

⁴¹ CMHC's 2023 study to identify the scale of housing supply gaps finds that 610,000 new homes in Vancouver are needed to ease the supply, significantly more than the provincial housing targets to municipalities. Canada Mortgage and Housing Corporation, *Housing Shortages in Canada: Updating How Much Housing We Need By 2030*.

⁴² Austria, Denmark and the Netherlands have at least 20% of total housing stock as non-market housing; Finland, France, Ireland, United Kingdom, Iceland have between 10 and 19%. Canada in comparison has 3%. See: OECD, *Social Housing: A Key Part of Past and Future Housing Policy*, Employment, Labour and Social Affairs Policy Briefs, Paris: OECD (2020); Statistics Canada, "A Look at Subsidized Housing in Canada," *StatsCan Plus Blog*, May 19, 2023. [www.statcan.gc.ca/o1/en/plus/3646-look-subsidized-housing-canada]

⁴³ Marc Lee, *How to Build Affordable Rental Housing in Vancouver*, Vancouver: Canadian Centre for Policy Alternatives (2021).

the short-term, needs to be supported for many low-income households through government rent subsidies that may be tied, or is independent of specific housing units.

Reductions in housing unaffordability, insecurity and homelessness result in considerable economic and social cost savings. A study prepared for BC Housing found that all new housing stimulates the economy from construction activity, but there is approximately 20-30% 'value added' when this construction results in affordable non-market housing, and 92% 'value added' when that affordable non-market housing is targeted to, and includes supports for, marginalized populations.⁴⁴

Addressing the housing needs of off-reserve Indigenous people in B.C. is particularly valuable from a cost-perspective. An analysis developed by the Aboriginal Housing Management Association found that for every \$1 investment in Indigenous housing annually, there is a total social return on investment (SROI) of \$7.1.⁴⁵

While we are making important inroads in building transitional housing for people who have experienced homelessness, we are not yet doing enough to ensure that housing is being built for households who are most at risk of being unhoused. To do this, we must do more. The next section looks at how this can be done.

⁴⁴ Anne Miller and J. Ofrim, "Social Return on Investment (SROI) of Affordable Housing Development Supported through the BC Housing Community Partnership Initiative," Calgary, AB (2016): Constellation Consulting Group.

⁴⁵ Aboriginal Housing Management Association, "British Columbia Urban, Rural and Northern Indigenous Housing Strategy," (2022).

MAKING IT HAPPEN

Many policy measures to encourage more rental housing supply will benefit the development of non-market housing. Others are needed specifically that target non-market housing development. Some of the most important are described below.

Support Community-Based Organizations that Own Land Assets to Develop More Affordable Housing

The high cost of land is a key barrier to affordable housing development. Community-based organizations (including faith-based institutions, non-profits, values-based companies and public land portfolios like school boards and health authorities etc.) have underused land that can lower the cost of new affordable housing, particularly in conjunction with non-profit developers.⁴⁶

Many community-based organizations want to do more to address the affordability crisis that is deeply affecting their constituents and community. This includes non-profit housing providers and housing co-operatives that have land and buildings that can be (re)developed in a way to increase

⁴⁶ One estimate suggests that developments that involve community-owned land can bring \$2,000+/month rents down to as low \$1,273/month (or lower with cross subsidies) without any government subsidy. See: Marc Lee, "How to Build Affordable Rental Housing in Vancouver."

the number and quality of their units. It also includes organizations that own land which can be used to incorporate affordable housing for the first time — for instance, land owned by service clubs, legions, neighbourhood houses, faith-based organizations, cultural organizations, and more. Faith-based organizations (mainly Christian churches) own considerable properties across the region. Examples of redevelopment and the potential for more is described in Box 5.

For this to happen, community-based organizations need support to define, plan, and build affordable housing projects. Despite the value of their assets, non-profits struggle with limited funds. Access to early-stage capital and technical support are critical to moving projects forward. The [Vancity Affordable Community Housing Program + Accelerator Fund](#) helps organizations overcome these barriers by providing grants and financing for the early phases of a development or an acquisition project. This enables projects to become construction-ready and accelerates their completion. The program's experience to date demonstrates that there is significant potential for the community housing sector to develop new affordable projects by leveraging private, public, and non-profit capital.

Over 4,500 new affordable rental homes in B.C. have been directly supported through the fund's pre-development loans since 2011, mainly in the Metro Vancouver and Capital region. The program has also provided early-stage planning grants to over 100 non-profit affordable housing development projects, many of which have advanced to construction. The program's capacity building grants have enabled 22 non-profit organizations to strategically plan and identify new housing opportunities in their real estate portfolio that represents approximately \$740 million in real estate assets, and helped 13 community housing organizations to build their internal development capacity. Investment by government and private sector partners is critical to expanding this successful program.

Box 5. Faith-based organizations as a source of community-owned land assets

Faith-based organizations are a significant source of community-owned land assets. There is both significant potential and interest to redevelop aging properties to create affordable housing.

Many affordable housing projects have already been completed in Metro Vancouver, bringing land into affordable housing for the first time: Central Presbyterian, the Springs, Hannelor, Co:Here Housing Community, KNH Community Service and Affordable Seniors Housing Project, Emmaus Place, Aspen Green. Many more are planned and in development.

The potential for considerably more is significant. With about 2,400 properties in the region, a simple estimate suggests that 120,000 units of affordable housing may be in theory possible (assuming 50 units per development). Even supporting 10% to redevelop could yield 12,000 homes.

(Property estimate Landcor data corp. cited in <http://vancouver.sun.com/business/real-estate/0323-housing-partnerships>)

Increase Public Funding Support

Both the federal and provincial government have committed unprecedented levels of funding to address current affordable housing challenges through Building BC, the National Housing Co-Investment Fund, the Affordable Housing Innovation Fund, and the Rental Construction Financing Initiative. However, challenges exist in meeting the demand. For instance:

- A 2021 call for proposals by the Community Housing Fund received applications for 13,000 new units of housing but approved only 2,600 due to funding constraints.⁴⁷
- Five years into the 2018 BC Budget's 10-year promise of \$6 billion towards affordable housing construction projects, only one third of the funds had been expended as of the end of 2022/23.⁴⁸
- Long approval timelines, uncertainty, and conflicting program criteria all add costs, in both time and money, to program applicants.⁴⁹
- A review of the National Housing Strategy by the National Housing Council found that CMHC funding programs are not directing sufficient funds to build units to address those in CORE Housing need, and that programs should be more targeted to support the community housing sector.⁵⁰

In order to address the supply gap in B.C., it will cost the province government, federal government and the community housing sector an estimated \$1.23 billion annually.⁵¹ More dedicated financial resources from senior levels of government are needed to support the community housing sector to develop and operate affordable housing, particularly for equity-denied groups. As part of this, the federal government should make a clear funding commitment to a for-Indigenous, by-Indigenous national housing strategy and allocate the resources required to implement year one of Aboriginal Housing Management Association's Urban, Rural, and Northern Indigenous Housing Strategy.⁵²

⁴⁷ Marc Lee, "Still so far from home: An update on BC's 114,000 homes promise," Policy Note (2023), www.policynote.ca/housing-update/

⁴⁸ *Ibid.*

⁴⁹ Government of British Columbia, "Opening doors: unlocking housing supply for affordability," (2021), engage.gov.bc.ca/app/uploads/sites/121/2021/06/Opening-Doors_BC-Expert-Panel_Final-Report_Jun16.pdf.

⁵⁰ National Housing Council (April 2023), *Renewing Canada's National Housing Strategy. A Report to the Minister of Housing and Diversity and Inclusion on the National Housing Strategy*, p. 2. The unilateral and bilateral funded programs analysed are the Rental Construction Financing Initiative (RCFI), National Housing Co-Investment Fund (NHCF) and Rapid Housing Initiative (RHI), Canada Community Housing Initiative (CCHI), the Provincial/Territorial Priorities Funding Priorities (PTPF), the Canada Housing Benefit (CHB), the Northern Housing Initiative (NHI) and the Federal Community Housing Initiative (FCHI).

⁵¹ BC Rental Housing Coalition, "An Affordable Housing Plan for BC" (2017). Available on Housing Central website: housingcentral.ca

⁵² Aboriginal Housing Management Association, "Indigenous housing expert in BC delivers urgent message to Ottawa," Press Release, October 16, 2023.

Acquire Existing Affordable Units

Acquisitions of existing market rental housing by non-profits can maintain the inventory of low- and moderately-priced homes. Canada has experience already with this: acquisition formed a significant part of the public, non-profit, and co-operative housing programs of 1965 to 1994, contributing 9% of non-market housing added in that period.⁵³

B.C.'s recent launch of an acquisition fund moves the province in this direction once again.⁵⁴ These efforts can be strengthened significantly through the involvement of the federal government as well as commercial debt, private equity, and philanthropic funds.⁵⁵ Other measures at various levels of government can support successful acquisitions, such as a non-profit right of first refusal to purchase properties, incentives to sell to non-profit buyers, and sufficient funding to rehabilitate/renovate and operate acquired housing.

Make Low-Cost Land Available for Non-Profit Development

Land is crucial to non-profit development. Different levels of government can be critical in increasing the amount that is available. Many municipal governments are not only prioritizing existing city-owned land and buildings for non-market housing development but are also acquiring and assembling land for this purpose.⁵⁶

The Vancouver Community Land Trust Foundation's model of assembling and developing portfolios of city-owned land for permanent affordable housing could be significantly scaled. Grassroots community organizing is also leading to a growth in community land trusts across Canada, including Hogan's Alley Community Land Trust locally. This is a model which has been quite successful south of the border.⁵⁷

⁵³ New Market Funds Society, "The Rental Housing Preservation Program: Written Submission for the Pre-Budget Consultations in Advance of the Upcoming Federal Project."

⁵⁴ The \$500 million BC Rental Protection fund will make one-time grants to non-profit and co-operative housing providers to purchase an estimated 2,000 units of housing in existing private rental buildings that would otherwise be sold to investors. storeys.com/british-columbia-rental-protection-fund-launch-details-ceo-katie-maslechko/

⁵⁵ New Market Funds Society, "The Rental Housing Preservation Program."

⁵⁶ For example, most of the land in the City of Vancouver's portfolio designated for affordable housing has been acquired through direct purchases and from social housing requirements set aside in development sites. City of Vancouver, "10 Year Affordable Housing Delivery and Financial Strategy" Vancouver (2018).

⁵⁷ Ayda Agha, "Perpetual Affordability and Community Control of Land," Canadian Housing and Renewal Association (2018), chra-achru.ca/perpetual-affordability-and-community-control-of-the-land-community-land-trusts-in-canada/.

Amend the Income Tax Act

The federal government could amend the Income Tax Act to directly support non-market housing. This could include:

- **Enabling charitable housing providers to build mixed-income housing developments.** This is critical to being able to scale operations by cross-subsidizing within developments.⁵⁸ Many non-profit developers and affordable housing providers also find it challenging to register as charities and are therefore not able to benefit from charitable fundraising and tax exemptions. The federal government should consider amending the Housing and Charitable Registration Guidance policy to allow more housing organizations to qualify.⁵⁹
- **Introducing a capital gain tax exemption for affordable housing that is similar to that provided for ecologically sensitive land.** This could greatly enhance the number of community land trusts for affordable housing, following in the footsteps of the success of land donation which enabled close to \$1 billion worth of land to be donated for conservation efforts between 2006-2016.

Transit-Oriented Development/Improving Land Value Capture Strategies

The provincial government has introduced changes to the Transportation Act that allows the province, through the BC Transportation Financing Authority, to acquire land for the purpose of building housing and community amenities to serve people near transit stations and bus exchanges.

This new power could be exercised to support the creation of affordable housing; for instance, in the Skytrain extension into Surrey and Langley. Translink and many municipalities have also been looking into how they can better capture the lift in land values related to investments made by public funding, such as transit. While most municipalities already capture a share of the increased land value using Development Cost Charges, density bonusing, and/or Community Amenity Contributions, these ad hoc approaches can be reformed to be more effective, transparent, and predictable.

Other mechanisms modelled on those implemented in other cities can be adopted, such as auctioning building rights (São Paulo), impact fees (San Francisco), and public-led land assembly (Germany, Netherlands).⁶⁰ Land value captures strategies should apply not only to new housing (for instance, the

⁵⁸ Government of British Columbia, "Opening doors: unlocking housing supply for affordability," (2021). engage.gov.bc.ca/app/uploads/sites/121/2021/06/Opening-Doors_BC-Expert-Panel_Final-Report_Jun16.pdf.

⁵⁹ Canada Revenue Agency, "Housing and charitable registration guidance," Reference number CG-022, February 7, 2014 www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/housing-charitable-registration.html

⁶⁰ It is estimated that Germany captures greater than 90% of the uplift in land values. Kaitlynn Given and Sean Reisman "Land Value Capture: A Study

area being rezoned), but to existing housing as well. For example, the government could calculate the percentage of increased property value from a transit investment and that portion could be subject to capital gains.

Strengthen Inclusionary Zoning

Inclusionary zoning is a policy where local governments require that a specified percentage of homes in a new residential development is set aside for affordable housing. Many local governments in Metro Vancouver are already implementing inclusionary zoning policies on a voluntary, negotiated basis with developers for projects that typically meet a certain threshold during a request to up-zone an area. The practice involves the use of municipal incentives, such as increased building height and a reduction in community amenities. Developers also rely on the availability of federal-provincial funding programs to fund the cost of the affordable units.⁶¹

Inclusionary zoning has been applied more comprehensively in many jurisdictions outside of Canada. For instance, mandatory policies are common across the U.K. and the majority of U.S. programs. An analysis of U.S. programs found that the impact of mandatory requirements on developers can be minimal, provided the requirement is transparent and explicit.⁶² Nevertheless, in the near term, higher buildable areas would be important to help manage any additional costs.⁶³ In B.C., the provincial government could make legislative amendments so that municipal governments can mandate inclusionary zoning if they choose.

Strengthen New Models of Real Estate Investment and Development

Alternative investment and business models exist in real estate development that can be further supported and scaled, and which can complement government funding support for affordable housing. This includes social finance and increasing the role of non-profit real estate developers.

There are growing number of purpose-built non-profit housing developers as well as existing non-profit housing organizations that are leveraging their assets and building their capacity to pursue housing development at a larger scale.⁶⁴ These organizations are working to build their development

of Public-led Land Assembly in Germany and Development Rights Auctioning in Brazil,” prepared for the Canadian Centre for Policy Alternatives (2019); For an overview of policies internationally see: OECD, “Global Compendium of Land Value Capture Practices: Policy Highlights,” Paris: OECD Regional Development Studies (2022).

⁶¹ CHBA Urban Council Meeting, “Inclusionary Zoning Experience and Evidence,” (2016). www.focus-consult.com/wp-content/uploads/Brief-on-Inclusionary-Zoning-April-2016.pdf.

⁶² PolicyLink, “Inclusionary Zoning,” <https://www.policylink.org/resources-tools/tools/all-in-cities/housing-anti-displacement/inclusionary-zoning>

⁶³ *In the long run, the effect of the requirement will be capitalized into land values. Ibid.*

⁶⁴ For example, Brightside Community Homes Foundation, Catalyst Community Developments Society, Entre-Nous Femmes Housing Society, Hiyárh

capacity and aggressively pursue growth through acquisition, redevelopment and new housing development, often in partnership with municipal governments, faith-based organizations and other land-owners. In addition to the funding and support that is offered for housing project development, investment at the enterprise level can provide these organizations with the working capital they need to build the organizational capacity and systems to carry-out housing development at scale.

Social finance, a movement which mobilizes private investment for public good, has the potential to contribute significant capital for non-market housing development, for instance, through investment funds, exchanges, individual and institutional investors, or Community Bond offerings.⁶⁵ These funds are important to housing projects because they can be used to leverage capital from other sources, address equity gaps, or provide lower cost capital that supports project viability and greater affordability. Government can enable more investment in social finance by supporting risk-mitigation, for instance by contributing funds to loan-loss pools.

Look to other Municipalities Around the World

Municipalities everywhere are faced with challenges around affordable housing and have responded in resourceful and creative ways. There are many established and emerging practices that support affordability, including the development of non-market housing using different models that we can draw on in our own housing system. Interesting and relevant examples include Cambridge (Massachusetts), Montgomery County near Washington D.C. (USA), Vienna (Austria), Amersfoort (Netherlands), São Paulo (Brazil), Singapore, and Copenhagen (Denmark).^{66 67 68}

ta Skwxwú7mesh Housing Society, Lu'ma Development Management, M'akola Development Services, New Commons Development, to name just a few.

⁶⁵ For example, Vancity Credit Union, New Market Funds, HPC Housing Investment Corporation, Community Forward Fund, SVX.

⁶⁶ Nicholas Falk and Jonah Rudlin, "Learning from International examples of affordable housing," London, England: URBED Trust (2018).

⁶⁷ Conor Dougherty, "This is public housing. Just don't call it that," *New York Times*, Aug. 25, 2023.

⁶⁸ Nate Berg, "The radical way cities are tackling affordable housing," *Fast Company (On-line Magazine)*, April 27, 2021, www.fastcompany.com/90618596/the-radical-way-cities-are-tackling-affordable-housing

MODEL IMPROVEMENTS AND FURTHER ANALYSIS

This analysis is an initial attempt to combine publicly available data about rental housing supply and its dynamics over time into a model. It is hoped that this methodology can be improved and built on, and that it can be used in different ways to provide insight into housing policy. It is meant to be a learning tool to explore parameters important to housing supply outcomes and to complement other modelling and research efforts. This work can be extended in the following ways:

Amend the Income Tax Act

- The representation of rental housing in 2021 that was developed as part of this model was limited to data that relates to private households in the Census. It does not yet include those living in supported and transitional housing, single room occupancy homes, seniors housing or roommate situations. This inclusion would be very important to fully represent the housing picture in Metro Vancouver.
- The model does not currently include any representation of the type of housing in terms of the number of bedrooms. This would be valuable to relating housing supply to the specific needs of different types of households.

- The model would benefit from better data. Creating the model uncovered many uncertainties; for instance, in how accessory units are counted. This and many issues are explored in Jens Von Bergman's blog, doodles.mountainmath.ca

Further Analysis

- The model could be used to explore different levels of housing supply, demolitions and unit turnover. Given the uncertainty in the pace of construction and the feasibility of shifting to more purpose-built rental completions, it would be valuable to use the model to test different assumptions. It is also possible to identify the level of rental housing supply that is needed to fully address the housing needs of those who are most at risk of being unhoused. The model could also explore assumptions around filtering.
- The model can be applied to other municipalities and regions in the province. This could be a useful tool for local governments to explore how non-market housing could be used to address housing needs in their communities, particularly with the help of data visualization.
- A wider range of scenarios with different mixes of acquisition and construction completions could be tested. This would be valuable to inform whether to emphasize preserving current housing or the building of new non-market supply.

CONCLUSION

To prevent a worsening situation, we must tackle housing challenges at a scale that can fully restore the availability of affordable and adequate housing options, especially for those with low incomes who are marginally housed. The community housing sector has a vital role in securing and leveraging land to build and deliver non-market housing that is permanently affordable in our communities. Preserving and growing community-owned real estate assets can disassociate those properties from the open real estate market and secure their long-term affordability and accessibility for communities, all the while enhancing the sustainability, capacity, and asset base of those community-based property owners. More non-market housing would ensure that housing development prioritizes critical housing needs rather than simply the needs of investors.

We need to act right way to restore a more balanced housing supply. The cost of not doing so is too great, given the scale of housing insecurity faced by so many households in Metro Vancouver. Land is finite in the region, and every new housing project should be embraced as an opportunity to accelerate the development of communities that belong to all of us. We have to find a path that makes sense for B.C. - it won't be the same as Singapore or Vienna, but it can be one that builds on the housing system that we do have, and the strengths of the community housing sector that already serves many.

We all benefit in the long term by adapting our housing system to embrace more non-market housing.



APPENDIX A ADDITIONAL INFORMATION: METHOD AND RESULTS

Rental Housing Profiles, 2021

There is no single dataset that provides a complete picture of the number of rental units, by type of dwelling, ownership, and monthly shelter cost. In the model, this is created by drawing on various 2021 Census data tables and the CMHC Rental Survey.⁶⁹ To arrive at a breakdown of shelter costs by type of dwellings, the number of units is calibrated to average shelter costs. The representation developed for Metro Vancouver is shown below. It is important to keep in mind that this is a ‘best’ estimate. The data represents private households as defined by the Census, and therefore do not include seniors housing, supported housing, and hotels/rooming houses (including SROs). It would be very valuable to find a way to incorporate these households into the model.

Households by Shelter Costs and Dwelling Type, 2021

Type of Dwelling	Less than \$750	\$750-\$1249	\$1250-\$1999	\$2000-\$2999	\$3000-\$3999	\$4000+	All Shelter Costs
Primary Rental Market	35,485	59,007	78,174	18,260	2,388	726	194,039
Market Housing	12,102	26,625	64,143	15,733	1,694	726	121,024
Non-Market Housing	23,382	32,382	14,031	2,527	693	-	73,015
Secondary Rental Market	9,752	29,451	76,720	62,451	12,836	10,199	201,408
Market Housing	-	5,769	32,139	41,204	2,967	330	82,408
Market Housing	9,752	23,683	32,738	3,483	-	-	69,655
Market Housing	-	-	11,843	17,764	9,869	9,869	49,345
Total Dwellings	45,236	88,459	54,893	80,711	15,223	10,925	395,447

⁶⁹ Number of Renter Occupied Private Households in Private Dwellings by Shelter Cost and Number of Dwellings by Structural type of Dwelling by tenure) as well as data from CMHC Rental Survey (October 2021): Average Rent/Shelter Costs by type of housing

Rental Housing Profiles

The following tables show the rental housing profiles for the base year, and for 2041 for each scenario. For definitions of the dwellings, see Box 3 in the main report.

Baseline, 2021

Type of Dwelling	Total Rental Units	Distribution by Monthly Shelter Cost							
		Less than \$750	\$750-\$1,249	\$1,250-\$1,999	\$2,000-2,999	\$3,000-\$3,999	\$4,000-\$4,999	\$5,000-\$5,999	\$6,000+
Primary Rental Market	194,039	18%	30%	40%	9%	1%	0%	0%	0%
Market Housing	121,024	10%	22%	53%	13%	1%	1%	0%	0%
Non-Market Housing	73,015	32%	44%	19%	3%	1%	0%	0%	0%
Secondary Rental Market	201,408	5%	15%	38%	31%	6%	5%	0%	0%
Market Housing	82,408	0%	7%	39%	50%	4%	0%	0%	0%
Market Housing	69,655	14%	34%	47%	5%	0%	0%	0%	0%
Market Housing	49,345	0%	0%	24%	36%	20%	20%	0%	0%
Total Dwellings	395,447	11%	22%	39%	20%	4%	3%	0%	0%

Business as Usual, 2041

Type of Dwelling	Total Rental Units	Distribution by Monthly Shelter Cost							
		Less than \$750	\$750-\$1,249	\$1,250-\$1,999	\$2,000-2,999	\$3,000-\$3,999	\$4,000-\$4,999	\$5,000-\$5,999	\$6,000+
Primary Rental Market	318,203	7%	6%	12%	26%	26%	18%	4%	1%
Market Housing	220,037	1%	0%	10%	28%	30%	22%	5%	2%
Non-Market Housing	98,166	20%	18%	17%	22%	16%	7%	1%	0%
Secondary Rental Market	319,237	0%	0%	6%	27%	34%	24%	4%	5%
Market Housing	124,742	0%	0%	0%	32%	35%	17%	5%	11%
Market Housing	150,927	0%	0%	13%	25%	31%	27%	3%	0%
Market Housing	43,568	0%	0%	0%	21%	39%	35%	1%	4%
Total Dwellings	637,440	3%	3%	9%	27%	30%	21%	4%	3%

Non-Market 1, 2041

Type of Dwelling	Total Rental Units	Distribution by Monthly Shelter Cost							
		Less than \$750	\$750-\$1,249	\$1,250-\$1,999	\$2,000-\$2,999	\$3,000-\$3,999	\$4,000-\$4,999	\$5,000-\$5,999	\$6,000+
Primary Rental Market	345,450	7%	8%	17%	27%	23%	14%	3%	1%
Market Housing	185,451	1%	0%	14%	29%	29%	21%	5%	2%
Non-Market Housing	159,999	14%	17%	21%	25%	16%	6%	1%	0%
Secondary Rental Market	291,990	0%	0%	6%	28%	33%	23%	3%	5%
Market Housing	124,192	0%	0%	0%	32%	35%	17%	5%	11%
Market Housing	123,868	0%	0%	15%	26%	30%	26%	3%	0%
Market Housing	43,930	0%	0%	0%	21%	39%	35%	1%	4%
Total Dwellings	637,440	4%	4%	12%	28%	28%	18%	3%	3%

Non-Market 2, 2041

Type of Dwelling	Total Rental Units	Distribution by Monthly Shelter Cost							
		Less than \$750	\$750-\$1,249	\$1,250-\$1,999	\$2,000-\$2,999	\$3,000-\$3,999	\$4,000-\$4,999	\$5,000-\$5,999	\$6,000+
Primary Rental Market	376,775	8%	11%	21%	28%	20%	10%	2%	0%
Market Housing	139,329	1%	0%	17%	33%	28%	18%	3%	1%
Non-Market Housing	237,446	12%	17%	23%	26%	15%	6%	1%	0%
Secondary Rental Market	260,665	0%	0%	7%	29%	33%	22%	3%	6%
Market Housing	124,159	0%	0%	0%	33%	35%	16%	5%	11%
Market Housing	92,577	0%	0%	21%	27%	27%	23%	2%	0%
Market Housing	43,930	0%	0%	0%	22%	39%	34%	1%	4%
Total Dwellings	637,440	5%	6%	15%	28%	25%	15%	2%	3%

Additional Tables

Non-Market 1, 2041

Scenario	2021	2026	2031	2036	2041
BAU	18%	17%	16%	16%	15%
NM1	18%	20%	22%	24%	25%
NM2	18%	24%	30%	34%	37%

Average monthly shelter cost

Scenario	2021	2026	2031	2036	2041
BAU	\$1,686	\$2,019	\$2,396	\$2,824	\$3,345
NM1	\$1,686	\$1,994	\$2,333	\$2,714	\$3,171
NM2	\$1,686	\$1,966	\$2,261	\$2,583	\$2,964

Determining what Units are Affordable in the Future

To interpret this forecast it is necessary to consider that incomes will also change over the forecast period. While shelter costs of \$2,448/month would be challenging for many currently, this would change as incomes grow and adjust to inflation. To interpret the results, incomes are assumed to grow by 3.4%.⁷⁰

The table below shows monthly shelter costs in 2021 and 2041 and the level of affordability by annual income that is necessary to afford that unit if shelter costs are equal to 30% of total income. The rate at which incomes may or may not increase is of course crucial to interpreting future affordability. In the past ten years, the average nominal annual growth rate for the average income of renter households in Metro Vancouver was 4.6%. However, in earlier periods, the average annual growth rate was significantly lower: 2.2% 2000-2010, and -0.2% 1990-2000. A rate of 3.4% was chosen to reflect recent trends but scaled down somewhat to reflect longer term historical rates.

⁷⁰ Growth rates are calculated based on historical rates (real) adjusted to nominal using a Consumer Price Index (CPI) specific to Vancouver. Income data: CMHC, Real Average Household Income (After-Taxes), by Tenure, 2006 – 2020, Household Characteristics Data. www.cmhc-schl.gc.ca/professionals/housing-markets-data-and-research/housing-data/data-tables/household-characteristics/real-average-household-income-after-taxes-tenure CPI: Government of British Columbia, Consumer Price Index (CPI), Table accessed: Annual Averages, Vancouver, All Items Index, www2.gov.bc.ca/gov/content/data/statistics/economy/consumer-price-index.

The higher rate in the past 10 years likely reflects the addition of higher income households that are renting rather than purchasing homes. It also likely reflects changes to social policies that have helped to increase incomes for low-income households (e.g., Canada Child Benefit, changes to minimum wage and income assistance).

Shelter costs by level of affordability, 2021 and 2041 (based on 3.4% annual growth in renter incomes)

Level of Affordability	Relative to Median Income, Renter Households	2021		2041	
		Monthly Shelter Cost (2021)	Total Annual Income	Monthly Shelter Cost (2021)	Total Annual Income
Very Low	Less than 33%	Up to \$750	Up to \$29,999	Up to \$1469	Up to \$58,759
Low	33% - 56%	\$750 - \$1250	\$30,000 - 49,999	\$1469-\$2448	\$58,758 - \$97,934
Moderate	56%-89%	\$1250 - \$2000	\$50,000 - \$79,999	\$2448 - 3917	\$97,932 - \$156,693
Middle	89%-133%	\$2000 - \$3000	\$80,000 - \$119,999	\$3917 - \$5876	\$156,693 - 235,042