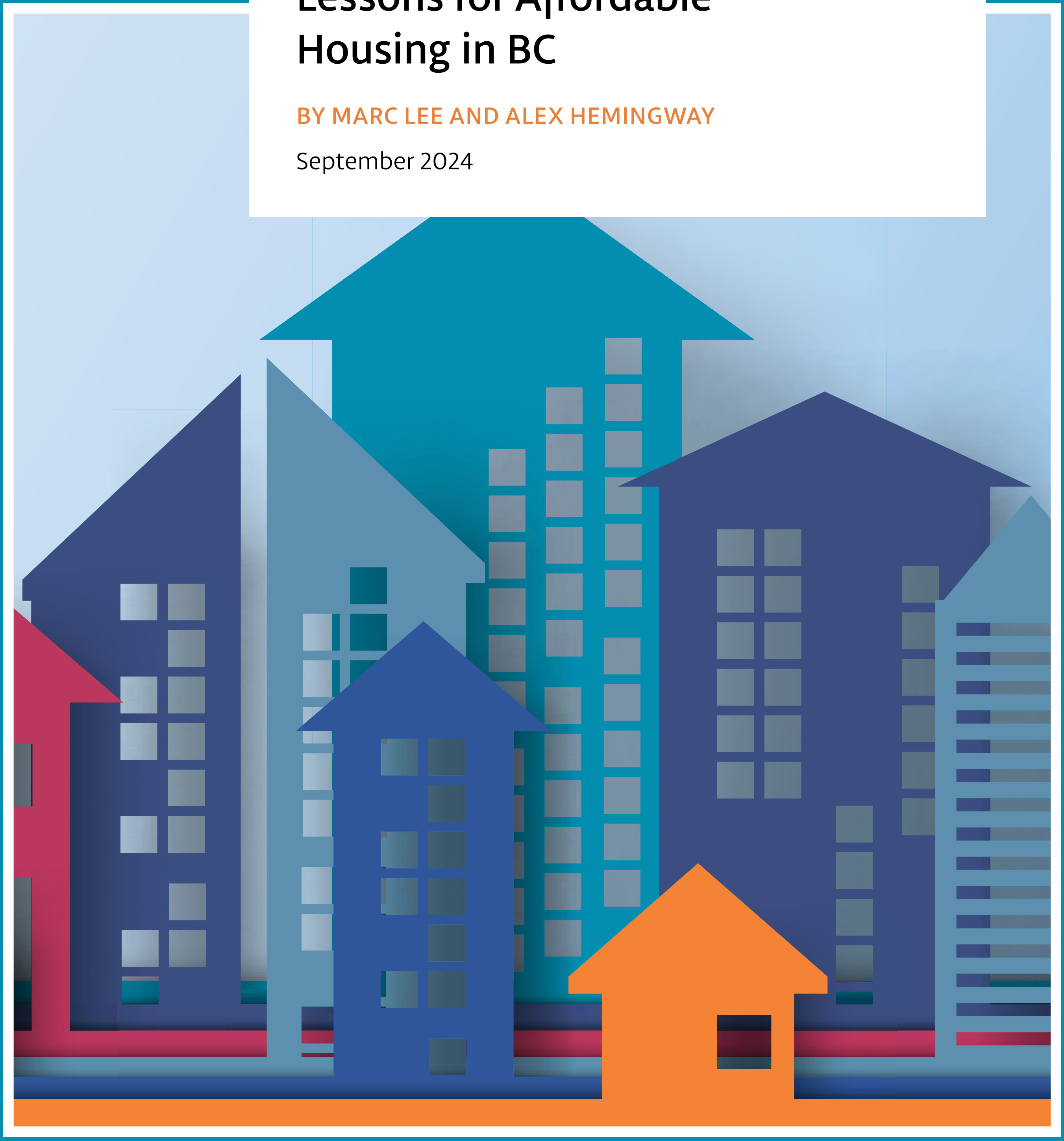
Building Equity

Lessons for Affordable Housing in BC

BY MARC LEE AND ALEX HEMINGWAY

September 2024



CCPA
CANADIAN CENTRE
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BC Office

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Summary

No topic has dominated the headlines in recent years more than housing, or the growing lack of affordable options in Metro Vancouver and other cities in British Columbia. Scarce and expensive housing is eroding the province's liveability and economy, and large price rises have become a source of enormous wealth inequality.

This paper analyzes policy changes introduced by the BC and federal governments in recent years—including speed bumps to slow more speculative forms of investment, regulatory changes to municipal zoning and rental markets and new public investments in affordable housing stock—and looks to next steps for a solutions agenda. It summarizes lessons from the Building Equity research project, a four-year CCPA-BC investigation into housing affordability in Metro Vancouver supported by the Vancouver Foundation, and extends them province-wide with a range of policy recommendations.

Supply and demand revisited

The soaring prices of homes in the ownership market point to housing supply that has not kept pace with demand. On the demand side, a prolonged period of low-interest rates since 2008 increased the ability of households to borrow and contributed to sky-high housing prices in BC. The emergence of higher interest rates since 2022, as central banks sought to combat inflation, has similarly cooled the housing market in terms of transactions and prices. Demographic factors, including Canadians and new immigrants moving to BC, are also central drivers of housing demand.

In recent years, speculative behaviour from real estate investors has been top of mind as home prices rise beyond the reach of many households, and several policies have sought to address this aspect of the crisis. This started with the Foreign Buyer Tax in August 2016, followed by additional tax reforms in 2018 and 2019. For the most part these measures have been aimed at foreign buyers and the high end of the housing market, rather than domestic investors. These changes have reduced foreign purchases to about 1.2% of transactions in BC in recent years.

On the supply side, BC faces a severe shortage of both non-market housing and overall housing supply. Canada Mortgage and Housing Corporation estimates that BC needs to build 610,000 more homes by 2030 above current building trends. Surging rents are an artifact of ultra-low vacancy rates for rental housing stock. In Metro Vancouver, vacancy rates around 1% have prevailed for more than a decade with the brief exception of the 2020 COVID-19 shock. In comparison, housing experts generally see a healthy vacancy rate as 3% to 4%, which would represent a more balanced housing market.

In the context of a housing shortage, allowing new non-market and market rental apartments is crucial, particularly in the large land areas currently reserved exclusively for expensive, low-density housing. Where possible, land value increases from upzoning should be used to meet affordable housing objectives in both public and private developments, while ensuring projects remain economically viable so they actually get built.

Public and non-profit models of housing development are much needed to deliver genuine affordability in the short run and to maintain affordability over time.

The harsh reality is that it is expensive to build housing and the upfront costs of construction, acquiring land and various development charges/fees must inevitably be covered by sale prices for ownership housing and by rental income for rental housing.

Shifting from for-profit to non-profit projects can lower break-even rents in non-market developments by removing the developer/landlord profit margin. Nonetheless, we estimate the costs of construction dictate minimum monthly break-even rents of $2,035 for a one-bedroom unit, $2,853 for two-bedrooms and $3,671 for three-bedrooms in a non-market rental project with public land contributed, waived municipal development charges, lower-interest rates and a longer (50-year) amortization period.

Some lower rents could be achieved through cross-subsidization, i.e., if some of the units pay higher market rents and the difference is used to subsidize other units in the development at below break-even rents.

Public and non-profit models of housing development are much needed to deliver genuine affordability in the short run and to maintain affordability over time. Both the federal National Housing Strategy and the provincial Building BC program have been slow to deliver the type of community or social housing that was built from the 1960s to 1990s and that remains a cornerstone of housing affordability several decades later.

Directions for local governments

The BC government has implemented housing supply targets for local governments, while establishing minimum densities across the province. Municipalities are now required to allow at least three- to six-unit multiplexes in lower-density areas and much-higher minimum housing densities close to SkyTrain stations or other specifically designated transit exchanges. However, rather than embrace these new requirements as minimum standards to be met and exceeded, many cities have sought to find loopholes or otherwise dilute the effect of these reforms.

We recommend local governments:

- ***Legalize multiplexes and small apartment buildings in detached-housing neighbourhoods***: zoning should allow, as of right, the development of multiplexes to small apartment buildings with triple or more the current permitted Floor Space Ratio (FSR)—that is, at least 2.1 FSR.
- ***Reform public hearings***: We recommend using deliberative mini-publics (also called citizens' panels and citizens' assemblies) as a more democratic and representative form of public engagement on land-use questions.
- ***Ensure market development contributes to dedicated affordable housing***: In exchange for density that creates new market value, set out in advance, requirements that a certain percentage of units be made affordable, which will constrain developers from bidding up land prices too much. These requirements must be set at levels that ensure projects remain economically viable so they actually get built.
- ***Implement renter protections***: A robust system of renter protections should include strong rights and a fair process for renters adversely affected by redevelopment, whether on existing apartment sites or in detached-housing neighbourhoods (in particular, for secondary suite renters).
- ***Support public and non-profit housing developments***: Local governments should implement simplified and faster permit approval processes for non-profits seeking to develop non-market projects at increased densities. Local governments could also act as public sector developers and/or contribute public land toward new non-market housing.

A major gap still exists around the amount of planned public and non-market housing.

Directions for the BC government

The BC government has introduced a number of measures to boost market supply as well as a range of other supports for rental housing, including restrictions on short-term rentals, a new Renter's Tax Credit and a Rental Protection Fund. However, a major gap still exists around the amount of planned public and non-market housing as existing programs are undersized relative to the housing affordability challenges facing low- to middle-income households. We recommend the BC government:

- ***Increase housing supply targets***: Current housing supply targets established for 30 local governments are an important innovation, but are not particularly ambitious given the scale of the housing crisis and relative to past building.
- ***Expand reforms to end exclusionary zoning:*** More province-wide upzoning—perhaps at double or triple the allowable densities in any given area—for non-market housing would take zoning out of the equation as a constraint when competing with private market developers for land. Moreover, low-rise rental housing—non-market and market alike—should be allowed throughout low-density single-family areas, including the wealthiest enclaves.
- ***Commit to 250,000 non-market rental units***: Progress on the 2018 Building BC program for non-market housing has been very slow relative to need, with only 16,777 units completed at the end of 2022, plus another 14,186 under construction. A bold BC-wide plan to build a new supply of dedicated, non-market affordable housing should aim for a quarter of a million homes over the next decade.
- ***Expand the Rental Protection Fund***: The government's $500-million Rental Protection Fund will help non-profits purchase and maintain more than 2,000 existing affordable homes. However, this is but a drop in the bucket of the existing rental homes across BC. New financial commitments should bolster the Fund as it is depleted.
- ***Create a new housing benefit***: Amalgamate the Home Owner Grant and the Renter's Tax Credit into a single income-tested housing grant for renters and owners alike. This would be in addition to existing provincial rental housing supports (Rental Assistance Program and Shelter Aid for Elderly Renters) as well as the shelter component of social assistance.
- ***Reform property taxation***: Property tax reforms should tackle the extreme inequality of property wealth, raise revenue for public investments including affordable housing and make real estate a less-lucrative target for passive, non-productive investment. BC's Property Transfer Tax could also be reformed to address speculative behaviour in the housing market.
- ***Update rent controls***: In BC, a lack of security of tenure has been a significant challenge for renters in recent years, particularly those living in secondary suites and rented condos. To better protect renters, we recommend vacancy control to limit rent hikes between tenancies, which would tie rent controls to the unit and not to new renters as is the current practice.

Land value increases from upzoning should be used to meet affordable housing objectives in both public and private developments.

Directions for the federal government

The federal government's 2017 National Housing Strategy (NHS) has to date delivered relatively little of what Canadians might consider to be affordable or social housing. More of the strategy's efforts have provided low-cost financing to private (both non-profit and for-profit) rental projects. Very little NHS funding has flowed to BC.

With access to nationwide taxation powers and borrowing capacity, the federal government needs to be a key player in building affordable housing and eliminating homelessness. This commitment will require higher levels of funding support. The federal government is also uniquely poised to reform the tax system, which is heavily tilted in favour of homeowners over renters. We recommend the federal government:

> The federal government is also uniquely poised to reform the tax system, which is heavily tilted in favour of homeowners over renters.

- ***Recommit the National Housing Strategy to build non-market housing and end homelessness***: Through a mix of making direct investments, providing public land and ensuring low-cost financing, the federal government should make a generational investment to dramatically increase non-market housing supply, end the homelessness crisis and help reduce the upward pressure on rents in the for-profit rental market. This could include a significant expansion of the existing Canada Housing Benefit.
- ***Scale up the non-profit housing sector***: Like BC, the federal government can support the non-market housing sector to acquire existing for-profit rental buildings. In addition to non-profit development on existing federal land, the federal government should acquire new public land for non-market housing. Non-profit housing developers could also be provided a lower interest rate than for-profit developers.
- ***Reform taxation of capital gains from housing***: Ending the principal residence deduction, or at least putting limits on the amount of untaxed capital gains from the sale of these homes, should be on the table to rebalance the situation of renters vis-à-vis owners. The federal government should also end various first-time homebuyer incentives that serve only to inflate the housing market.

Conclusion

In a short time, the BC government has made significant reforms to the province's housing market, with an emphasis on enabling supply-side solutions from the private sector. In addition to the deepening of zoning reforms to address the housing shortage, a key remaining gap is scaling up public efforts to develop new non-market housing and to support the non-profit housing sector. BC has a legacy of affordable housing from its shared investments (alongside the federal government) in non-market housing from the 1960s to 1990s. Renewing and bolstering non-market housing is central to the needs of low- to middle-income households.

Ultimately, tackling the housing crisis requires an all-of-the-above approach, including making large increases in non-market housing investment, accelerating zoning reform and increases to the supply of homes overall, taxing ballooning land wealth, providing cash transfers to low-income renters and strengthening tenants' rights through stronger legal and regulatory protections.

Introduction

No topic has dominated the headlines in recent years more than housing, or the growing lack of affordable options in Metro Vancouver and other cities in British Columbia. Many households with stable housing situations can live a good life in BC, including most homeowners who purchased a long time ago only to watch their nest eggs grow larger than they ever thought possible. Others, including younger people and new immigrants, can access the ownership market only if rich parents can help them out or if they have high incomes. Renters who have lived a long time in older purpose-built rental apartments have been insulated through provincial rent controls, but if they seek to move would face a steep jump in monthly rent. Finally, some have no housing options whatsoever besides single-room-occupancy hotels, shelters and the street.

Vancouver has become so popular no one can afford to live here anymore.

Real estate has been a source of vast fortunes in BC since colonization of the province began. Never has so much wealth been created with so little effort, including spectacular price rises over the past couple of decades in particular. The flip side is that expensive housing is eroding the core of the province's economy, while many low- to medium-income households are pushed farther away from major centres or out of the province entirely. As Yogi Berra might have put it, Vancouver has become so popular no one can afford to live there anymore.[1]

This rise in home prices has led to massive windfall gains for those who purchased housing more than a decade ago, and in the case of principal residences, these windfall gains are free of income tax when a property is sold. It has also worsened the unequal distribution of wealth. In 2019, the top 20% of BC households owned 63% of housing net worth (housing asset value less mortgage debt), and the next 20% owned another 24% of housing net worth. The bottom

1 "Nobody goes there anymore. It's too crowded." Attributed to Yogi Berra, see https://quoteinvestigator.com/2014/08/29/too-crowded/

40%, in contrast, own only about 1–2% of housing net worth.[2] Moreover, parents who have won the real estate lottery are able to pass some of their gains as early inheritances so their children can get into the home ownership market. The so-called *Bank of Mom and Dad* is a means by which housing inequality is transmitted across generations and gives an unfair leg up to fortunate heirs.

Since 2016, a wide range of policy responses has been introduced by the BC and federal governments. These include changes in tax policy to put in place speed bumps to slow more speculative forms of investment, regulatory changes to municipal zoning and rental markets and new public investments in affordable housing stock. Many of these actions remain works in progress and have yet to make a serious dent in affordability, whether in the form of lower market rents or lower prices for home ownership. From the perspective of those in the rental market, the wall to climb into home ownership has never been higher.

This paper takes stock of recent policy changes and looks to next steps for a solutions agenda. It summarizes and extends lessons from the Building Equity research project, a four-year CCPA-BC investigation into housing affordability in Metro Vancouver that was supported by the Vancouver Foundation.[3] Building Equity research looked at both the demand- and supply-side factors behind the housing crisis, in particular the surging cost of rental housing in the face of in-migration and limited new rental housing development. While focused on Metro Vancouver, similar issues are present in all of the more populated places in BC and the lessons can be applied and adapted equally for specific communities around the province.

Canada's housing system has largely been a mechanism for increasing wealth and inequality.

Housing researcher David Hulchanski argues that we need to look at housing as a system rather than a market or sector of the economy.[4] The *housing system* is a socially created institution with a wide range of actors (individual, corporate, government) involved in production, consumption and regulation of housing. Governments set the rules spanning the many dimensions of housing: banking and mortgage lending, tax and regulatory measures affecting building standards and professional practices/certifications, subsidy programs and incentive patterns and land use planning. In Hulchanski's analysis, Canada's housing system has largely been a mechanism for increasing wealth and inequality rather than ensuring fair access to adequate, appropriate, affordable housing for all households.

2 Statistics Canada, Table 11-10-0049-01: Assets and debts by net worth quintile, Canada, provinces and selected census metropolitan areas, Survey of Financial Security (x 1,000,000), https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110004901.

3 Research advisors and partners included the BC Non-Profit Housing Association, the BC Poverty Reduction Coalition, the BC General Employees' Union and the Canadian Union of Public Employees Local 1767 (representing BC Assessment workers).

4 J. David Hulchanski, "What Factors Shape Canadian Housing Policy? The Intergovernmental Role in Canada's Housing System" in *Canada: The State of the Federation 2004: Municipal-Federal-Provincial Relations in Canada*, eds. Robert Young and Christian Leuprecht (Institute of Intergovernmental Relations, School of Policy Studies, Queen's University, published by McGill-Queen's University Press, 2006), https://www.homelesshub.ca/resource/what-factors-shape-canadian-housing-policy-intergovernmental-role-canada%E2%80%99s-housing-system.

What Is Affordable Housing?

Housing affordability is generally defined in terms of income. For renters, a conventional definition is that affordable housing should be available at a cost that does not exceed 30% of gross income. Above this amount, households are considered to be in *core housing need*, while those spending more than half their income on housing are in *severe housing need*. These cut-offs, while commonly used, are ultimately arbitrary and not empirically derived. Households with high incomes obviously have many more options at 30% of income than those with low incomes. For the poorest in society, incomes are generally too low to afford decent accommodation at market rates and some form of income or housing subsidy is required. In social housing projects, this subsidy has generally meant a *rent-geared-to-income* basis with rent set at 30% of income.

In recent years, many lower-income households, such as those on welfare incomes, are getting priced out of the limited amount of new affordable housing being built and the rent-geared-to-income concept has taken a back seat to alternative measures. To be eligible for subsidized housing in BC, gross household income must be below certain Housing Income Limits (HILs), defined by BC Housing as "the maximum annual income, before taxes, that a household can earn for suitable housing in their location."[5] HILs vary by unit size and location: they range from $58,000 for a one-bedroom to $107,500 for a four-bedroom in Vancouver; in Grand Forks, the respective incomes are $28,000 and $48,500.[6] Rents based on the maximum may meet only a technical definition of affordability.

The federal government's National Housing Strategy has also set out two alternative definitions of affordable housing for its new construction programs. For the Affordable Housing Fund (AHF, formerly National Housing Co-investment Fund), a minimum 30% of units constructed must rent at less than 80% of median market rent. The Apartment Construction Loan Program (ACLP, formerly the Rental Construction Financing Initiative) requires a minimum 20% of units at less than 30% of median family income. In the AHF case, 80% of median market rent excludes a large share of the lowest-income households. Under the ACLP, at $100,000 of median household income in Vancouver, the threshold of affordability is $2,500 in monthly rent. While rental homes added under these programs are helpful to many households, they won't meet the needs of low-income households. As the waitlists for social housing in Metro Vancouver continue to grow, more deeply subsidized rent-geared-to-income housing needs greater attention and investment.[7]

5 BC Housing, *Glossary*. Accessed July 26, 2024, https://www.bchousing.org/glossary#H.

6 BC Housing, *2023 Housing Income Limits*. Accessed July 26, 2024, https://www.bchousing.org//sites/default/files/media/documents/2023-Housing-Income-Limits-HILS-Effective-January-1-2023.pdf.

7 Nathan Griffiths, "Seniors and Families Desperate for Below-Market Housing in Metro Vancouver," *Vancouver Sun*, January 12, 2024, https://vancouversun.com/news/local-news/seniors-and-families-desperate-for-below-market-housing-in-metro-vancouver-b-c.

Housing is also widely viewed as a human right. Canada is a signatory to the United Nations' Universal Declaration of Human Rights and the International Covenant on Economic, Social and Cultural Rights, both of which uphold housing as a basic human right. Canada's 2019 National Housing Strategy Act recognized that "housing is essential to the inherent dignity and well-being of the person" and that "the right to housing is a fundamental human right affirmed in international law." However, saying that housing is a human right is one thing; making it so is another.

In the next section, we review the supply and demand sides of the housing market and the challenges of adding new housing supply. Building new housing is expensive, costing much more than most people realize. These costs can be reduced through public policy interventions and the support of non-profit developers. We then turn to recommendations for governments, starting with local governments, then the BC government and finally the federal government.

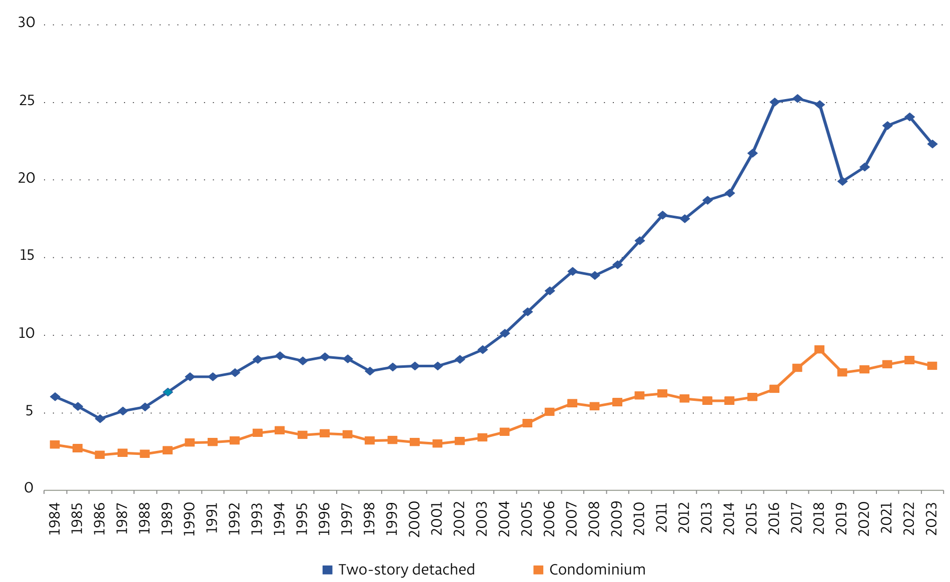
Supply and demand revisited

The soaring prices of homes in the ownership market point to housing supply that has not kept pace with demand. Figure 1 shows home prices in Metro Vancouver relative to income for detached housing and condos. The run-up in prices over the past two decades is significant, with the price of a detached house in 2023 about 22 times the median household income compared with eight times the median household income in the early 2000s. That latter price-to-income ratio of eight now represents the cost of a standard condominium, up from about three times median household income in 2000. Prices in 2023 relative to incomes were down from peak levels in the late 2010s but remain at very high levels by earlier historical standards.

The emergent "rent gap" between existing and market rents means more people feel stuck in their current accommodation.

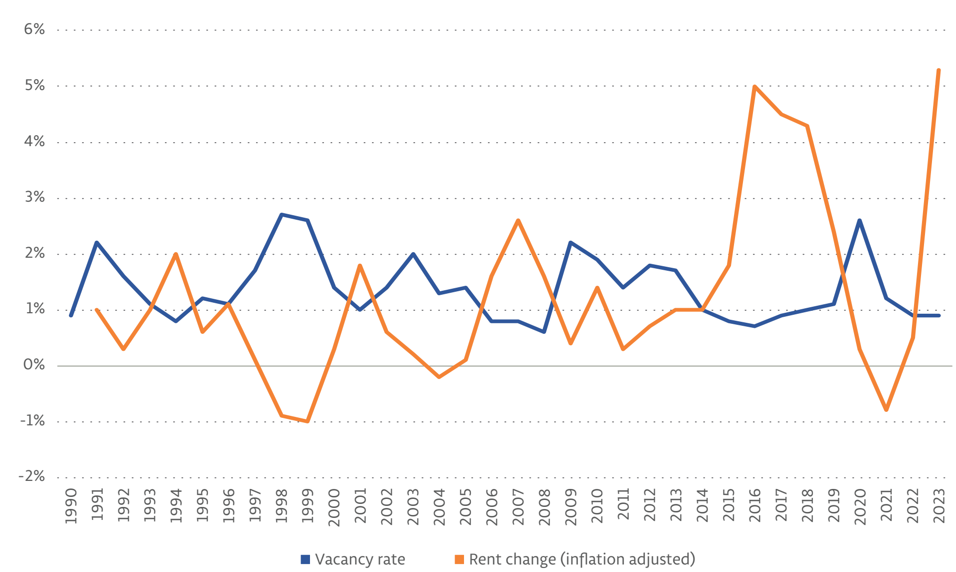
Similarly, surging rents are an artifact of ultra-low vacancy rates for rental housing stock. In Metro Vancouver, vacancy rates around 1% have prevailed for more than a decade, with the exception of the 2020 COVID-19 shock, as shown in Figure 2. In comparison, housing experts generally see a healthy vacancy rate as 3% to 4%, which would represent a more balanced housing market. At low vacancy rates, substantial competition for available units, especially those on the lower end, inevitably leads to higher market rents and available units going to more affluent households. Provincial rent controls limit annual rent increases for existing renters but, over time, the emergent "rent gap" between existing and market rents means more people feel stuck in their current accommodation. Others fear an eviction leading to a large increase in rent payments absorbing a greater share of their disposable income.

FIGURE 1 Home price-to-income ratio, Metro Vancouver, 1984 to 2023



Sources: Authors' calculations. Income data for Vancouver census metropolitan area from Statistics Canada, Table 11-10-0190-01: Market income, government transfers, total income, income tax and after-tax income by economic family type. Adjusted by Vancouver Consumer Price Index via Statistics Canada, Table: 18-10-0005-01: Consumer Price Index, annual average, not seasonally adjusted. Historical home price data (1984 to 2012) from Royal Lepage and current data from the Canadian Real Estate Association, MLS Home Price Index to December 2023. Accessed March 22, 2024, https://www.crea.ca/housing-market-stats/mls-home-price-index/hpi-tool/.

FIGURE 2 Metro Vancouver census metropolitan area vacancy rate and rent change, 1990 to 2023



Source: Canada Mortgage and Housing Corporation, *Rental Market Survey*, https://www.cmhc-schl.gc.ca/professionals/housing-markets-data-and-research/housing-data/data-tables/rental-market/rental-market-report-data-tables.

Demand-side factors

The demand for housing is affected by many factors. A prolonged period of low interest rates since 2008 increased the ability of households to borrow for housing and contributed to the run-up in housing prices in BC and many other parts of the world. The emergence of higher interest rates since 2022, as central banks sought to combat inflation, has similarly cooled the housing market in terms of transactions and prices. Prevailing interest rates are still low by historical standards, and while there is much hope for lower interest rates in 2024 and 2025, it is not likely they will drop to the ultra-low rates seen after the 2008 to 2010 financial crisis or the 2020 to 2021 COVID-19 emergency response.

There has been concern about speculative behaviour from real estate investors boosting prices beyond the reach of many households.

Demographic factors, including Canadians and new immigrants moving to BC, are a central driver of housing demand. The total BC population increased 19% between 2013 and 2023,[8] including annual growth of 3% in 2023 over 2022, the highest annual increase since 1974.[9]

In recent years, there has been concern about speculative behaviour from real estate investors boosting prices beyond the reach of many households. The BC Liberal government brought in the Foreign Buyer Tax in August 2016, followed by additional tax policies from the subsequent NDP government in 2018 aimed at foreign buyers and the high end of the housing market. Higher provincial property taxes (called the Additional School Tax) were implemented for homes assessed at more than $3 million. For the Property Transfer Tax, a new 5% top rate was created for homes valued above $3 million. And the Speculation and Vacancy Tax requires foreign owners and "satellite families" (who derive most of their income outside of Canada and pay little Canadian income tax) to pay 2% of the assessed value and Canadians with vacant properties to pay 0.5%.

The Foreign Buyer Tax rate was increased from 15% to 20% in 2018 and its geographic coverage was expanded to the Fraser Valley and parts of Vancouver Island and the Okanagan. While there was a surge of foreign investment in certain sub-markets of BC in the mid-2010s, subsequent changes to the tax system reduced foreign purchases to 1.2% of total transactions in BC between 2020 and 2022.[10] In comparison, foreign purchases represented 16.5% of transactions

8 BC Stats, British Columbia Population Estimates, https://www2.gov.bc.ca/gov/content/data/statistics/people-population-community/population/population-estimates.

9 BC Stats, Sustaining Growth: Population and Demography for B.C. and Canada, January 2024, https://www2.gov.bc.ca/assets/gov/data/statistics/people-population-community/population/sustaining_growth_population_demography.pdf.

10 Government of BC, Ministry of Finance, "Estimates Notes," 2022, http://docs.openinfo.gov.bc.ca/Ministry_of_Finance_Estimates_Notes_2022.pdf. The percentages are similar for Metro Vancouver and the rest of BC.

in Metro Vancouver (and 4.6% in the rest of BC) in Summer 2016 prior to the introduction of the Foreign Buyer Tax in Metro Vancouver.[11]

Domestic investors have also drawn some attention recently. The 2024 BC budget introduced a new Home Flipping Tax on properties held for less than two years (full tax up to one year) before being sold. This tax takes effect January 1, 2025, but it will have little impact in the near term due to a drop-off in speculative behaviour amid high home prices and higher interest rates.

Rented condos represent the vast majority of new rental units in places like Metro Vancouver over the past couple of decades.

Statistics Canada data show that 29% of residential properties in BC are owned by multiple property owners and the secondary properties are rented out and/or used as vacation properties. Just over 15% of property owners have more than one property.[12] A central concern articulated in the release is that "Owners seeking additional properties contribute to increased competition in already tight real estate markets, making it more difficult for prospective homeowners to purchase a home."[13] This reality has been somewhat offset by a range of first-time buyer programs in BC and federally.

The flip side is that investment properties contribute to new rental housing stock, which is in short supply given the low vacancy rates driving high market rents. Rented condos represent the vast majority of new rental units in places like Metro Vancouver over the past couple of decades. In jurisdictions that have sought to stop or discourage investors from buying and renting out secondary properties, research has shown unintended consequences. Purchase prices may decrease slightly, but rents rise as the available rental stock is diminished.[14] In addition, many homeowners are able to afford their housing because they can generate income by renting out secondary suites.

11 A 15% Foreign Buyer Tax (FBT) was introduced as of August 2, 2016. The BC government had only started reporting foreign buyer data in the months leading up to the tax change. In the immediate aftermath of the FBT, foreign purchases dropped to 1.6% of transactions (August 2 to October 31, 2016). Data compiled by authors from Government of BC, Ministry of Finance, Property Transfer Tax Reports (various releases, some not archived online), most recently available is "Updated residential real estate data – June 10 through Sept. 31", media release, October 28, 2016, https://news.gov.bc.ca/releases/2016FIN0047-002171.

12 Statistics Canada, Table 46-10-0030-01: Ownership type of residential property owners by residency status and number of properties owned. Accessed January 18, 2023, https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=4610003001.

13 Statistics Canada, "Canadian Housing Statistics Program 2019 and 2020," https://www150.statcan.gc.ca/n1/daily-quotidien/220412/dq220412a-eng.htm?HPA=1.

14 Itai Ater et al., "Real-estate Investors, House Prices and Rents: Evidence from Capital-Gains Tax Changes," (Syracuse University, Property Tax Webinar Series, December 2022), https://www.maxwell.syr.edu/docs/default-source/research/cpr/property-tax-webinar-series/2022-2023/real-estate-investors-december-2022-accessible.pdf?sfvrsn=6ba20aae_1.

Marc Franke et al., "Buy-to-live vs. Buy-to-let: The Impact of Real Estate Investors on Housing Costs and Neighborhoods,"(Social Science Research Network, June 15, 2023), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4480261.

Rented condos and secondary suites have their shortcomings as substitutes for purpose-built rental stock. They are more vulnerable to renovictions or legal evictions so that family members can move in, greatly reducing the security of tenure for renters. Housing market reforms introduced by the BC government, such as new restrictions on short-term rentals, the Rental Protection Fund to support non-profit acquisition of existing rental apartments as well as municipal-level renter protections to provide fair processes when displacement could result from redevelopment, should ameliorate this situation.

New investment in rental housing is needed, of course, and allowing rather than suppressing the creation of new rental housing is part of the solution to the crisis. However, a much larger emphasis on public and non-market housing will be needed, particularly for the least affluent half of the population.

Supply-side factors

A broad consensus has emerged that much higher levels of housing construction are needed to rebalance the market. Indeed, as Figure 3 illustrates, housing completions in Metro Vancouver have been too low for decades. This observation dovetails with the Canada Mortgage and Housing Corporation's estimate that BC needs to build 610,000 more homes by 2030 *above current building trends*,[15] which is broadly in line with the most sophisticated estimates of Metro Vancouver's housing shortage by independent analysts.[16] Permitting more dense buildings (allowing more units and more livable square feet) on the large portions of residential land where they are effectively blocked is one major piece of the puzzle. The housing supply shortage makes tenants more vulnerable, drives up rents, excludes people from certain neighbourhoods and squeezes marginalized people into homelessness in a cruel game of musical chairs.

Much higher levels of housing construction are needed to rebalance the market.

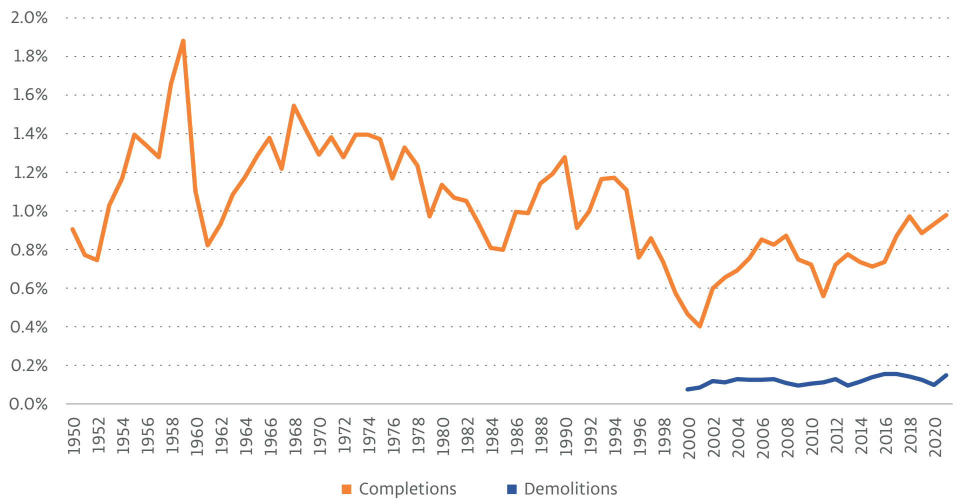
Thus far, concrete policy action on zoning and supply has lagged far behind the rhetoric, with recent provincial legislation on missing-middle housing (residential buildings with multiple units—such as duplexes, triplexes or other multiplexes, townhouses and low-rise apartment buildings) and transit-oriented development only representing a first step forward (we review these policy changes in greater detail below).

The harsh reality is that it is expensive to build housing, and the upfront costs of construction, acquiring land and various development charges/fees must inevitably be covered by sale prices

15 Canada Mortgage and Housing Corporation, *Housing Shortages in Canada: Updating How Much Housing We Need by 2030*, September 13, 2023, https://www.cmhc-schl.gc.ca/professionals/housing-markets-data-and-research/housing-research/research-reports/accelerate-supply/housing-shortages-canada-updating-how-much-we-need-by-2030. Italics added.

16 Jens von Bergmann and Nathan Lauster, "Housing Targets" (blog post on the Mountain Doodles website). Accessed June 27, 2023, https://doodles.mountainmath.ca/blog/2023/06/27/housing-targets.

FIGURE 3 Completions and demolitions as a share of population, Metro Vancouver, 1950 to 2021



Sources: Real estate data are merged series from MLS (2005 to 2022) and Royal LePage (1984 to 2012), with overlapping years recorded as the average of the two sources. Household income data from Statistics Canada, Table 11-10-0190-01: Market income, government transfers, total income, income tax and after-tax income by economic family type.

for ownership housing and by rental income for rental housing. Higher interest rates and land prices over the past few years mean many projects do not “pencil out”: the resulting home prices or rents needed for the project to break even or achieve a hurdle profit margin—at least under existing restrictive zoning rules and development fees—are higher than current market rents.

Shifting from for-profit to non-profit projects can lower break-even rents by removing the developer/landlord profit margin. In addition, low-interest loans (at 4.5%, the preferential rate for BC’s HousingHub program in early 2024) and longer amortization periods (e.g., up to 50 years per the federal Apartment Construction Loan Program) also help lower break-even rents, as do public land contributions and waived development fees.

Nonetheless, we estimate the costs of construction dictate minimum monthly break-even rents of $2,035 for a one-bedroom unit, $2,853 for a two-bedroom and $3,671 for a three-bedroom in a non-market rental project with public land contributed on a 99-year lease and waived municipal development charges.[17] Some lower rents could be achieved through cross-subsidization, i.e., if some of the units pay higher market rents and the difference is used to subsidize other

17 Break-even rents for a non-profit build at 4.5% interest over 50 years amortization, at 5.0 FSR (i.e., a six-storey building on 99-foot frontage, or three standard lots), construction hard costs of $450 per square foot plus 33% soft costs (legal, engineering, architecture, marketing, insurance). Amounts also include a monthly operating and maintenance cost charge of $450, 475 and $500 respectively for one-, two- and three-bedroom apartments.

units in the development at below break-even rents. However, it should be clear that housing is costly to build even under the most-favourable circumstances.

Beyond this lowest-cost base case—if this project had to pay closer to market price ($6 million) for land—break-even rents would rise to $2,287, $3,230 and $4,174 respectively. Paying standard City of Vancouver development charges of $35.46 per square foot on top of this would increase break-even rents somewhat to $2,331, $3,296 and $4,262. Similarly, higher interest rates and/or reduced amortization would also increase break-even rents. This analysis takes construction costs as given but it is notable that construction costs have surged over the past decade. Longer-term strategies to manage these costs in line with a large non-market and public build-out would be advisable.

Developing non-market and public housing

Public and non-profit models of housing development are much needed to deliver genuine affordability in the short run and maintain affordability over time. Some 96% of Canadian housing is market housing, meaning it is purchased or rented in the private sector and only 3.5% is social housing (public, non-market and co-operative), the legacy of public investments from the 1960s to 1990s. In other countries, the share of social housing is much higher, from 14% in France and 16% in the UK up to 24% in Austria and 34% in the Netherlands.[18] Singapore's affordable ownership model also points to the potential for public-led investment on public land to develop housing. Cumulative development since the 1960s is over one million housing units, which house 80% of Singapore residents.[19]

Public and non-profit models of housing development are much needed to deliver genuine affordability.

Both the federal National Housing Strategy and the provincial Building BC program have been slow to deliver the type of community or social housing that was built from the 1960s to 1990s and that remains a cornerstone of housing affordability several decades later. It has taken several years for new programs to get up and running, including delays due to the COVID-19 pandemic, and only now are more projects in the pipeline nearing completion. We look at the most-recent statistics for BC and federal building programs below.

Our research shows that a non-profit development model can lead to rents lower than market rents and that affordability can be deepened and preserved over time.[20] This model eliminates

18 Organization for Economic Cooperation and Development, OECD Affordable Housing Database, Table PH4.2 Social rental dwellings stock https://www.oecd.org/content/oecd/en/data/datasets/oecd-affordable-housing-database.html.

19 Marc Lee, "Housing Lessons from Singapore" in *Policy Note*, August 10, 2023, https://www.policynote.ca/singapore-housing/.

20 Marc Lee, How to build affordable rental housing in Vancouver, Canadian Centre for Policy Alternatives, March 24, 2021, https://policyalternatives.ca/publications/reports/how-build-affordable-rental-housing-vancouver.

the need for developer or landlord profits and puts rent at break-even rates (that is, rents that repay upfront construction costs over 50 years plus operations and maintenance). This model could also be supported by a package of measures aimed at the non-profit sector, including public land provided on a long-term lease, preferred access to federal and BC low-interest loan programs, higher permitted density and streamlined local approval processes along with waived development charges.

An important shift in the conversation is the BC and federal governments starting to put public land on the table toward long-run affordable housing development. Combined with other measures to lower the costs of building—low-interest loans with a longer repayment period and waived development charges—break-even rents can come down. It is anticipated that interest rates will come down over the next 12 to 18 months, but it is extremely unlikely they will drop to the historically low levels seen during the COVID-19 pandemic.

Adding density also reduces break-even rents by spreading land and other costs over more units. Additional units help the overall supply crunch to the extent that they help increase vacancy rates to a more balanced market (generally estimated as 3% to 4% vacancy rate, compared to about 1% in recent years). In the context of a housing shortage and low-density zoning, adding new density can create land value out of thin air. Where possible this value should be used to meet affordable housing objectives in both public and private developments, while ensuring projects remain economically viable so they actually get built. Done well, more dense housing arrangements are good for the climate and the environment and they improve the economics of transit and local shops and services.

Directions for local governments

In recent years there has been increasing tension between the provincial and local governments on housing and density. The BC government has begun requiring housing supply targets from local governments, while establishing minimum densities across the province. Municipalities were required to update their bylaws for areas zoned for the lowest-density housing (detached houses and duplexes) and will be required to allow at least three- to six-unit multiplexes in these areas (depending on the lot and proximity to frequent bus service).

> Much-higher minimum housing density is required close to SkyTrain stations.

The BC government has also moved to reform local land use near public transit. Much-higher minimum housing density is required close to SkyTrain stations or other specifically designated transit exchanges, then the density decreases more gradually with distance from transit. These densities are typically stated as floor area ratio (FAR) or floor space ratio (FSR), representing the amount of buildable square feet divided by the lot size. For example, in Metro Vancouver minimum requirements are to allow a FAR of five (minimum height of 20 storeys) within 200 metres of a SkyTrain station, a FAR of four (12 storeys) from 200 to 400 metres away and a FAR of three (8 storeys) between 400 and 800 metres away. Lesser targets are set for medium-sized cities and smaller qualifying municipalities. However, cities can still require onerous rezoning processes for projects in these areas.

In addition, cities cannot impose minimum parking requirements on these transit-oriented projects (though builders are free to include parking based on demand from their customers). This change recognizes the substantial cost of underground parking spaces, which must be capitalized in the sale price or market rent of the completed building. In June 2024, the City of Vancouver notably eliminated parking minimums citywide.

While these new provisions have been somewhat controversial at the municipal government level, those governments still retain substantial room to shape development and set housing policies in their jurisdiction. Reforms are possible to make processes around housing more democratic, to spur non-market development of housing that is affordable over the long run and to reduce adverse impacts on renters due to displacement. We consider a number of steps in this direction below.

Legalize multiplexes and small apartment buildings in detached-housing neighbourhoods

Despite recent progress, zoning in our cities still effectively blocks new apartment buildings on most residential land, which is reserved for lower-density housing. In limited areas where multi-family housing is allowed through a discretionary rezoning process, developers of new housing—non-market and market alike—have to compete for these scarce parcels, driving up land purchase prices. As a result, even well before a rezoning process, exclusionary zoning artificially increases land prices for the sites where multi-family housing is allowed (or expected to be allowed) by keeping them scarce.

BC's recent provincial zoning changes for detached-housing neighbourhoods is a modest improvement, requiring municipalities to allow at least three to four units per property. But there are no binding requirements on the actual buildable housing area permitted per lot (FSR or FAR) that cities must establish in their updated zoning rules. In a housing crisis and shortage, public policy should ensure that land where apartment buildings are permitted is plentiful, not scarce and expensive.

BC cities have consistently adopted more restrictive zoning than the provincial guidelines recommend.

Prior to the provincial legislation, the City of Vancouver had already adopted a multiplex policy, which was highly restrictive. It severely limits the total housing floor space allowed (from 0.84 to 1.0 FSR, a mere 16% increase over previous zoning), undermining the viability of many potential projects.[21] As noted above, it is hard to make an economic case for new projects at such limited densities and as a result city staff projected that only about 150 multiplexes would be built per year—a fraction of the need.

The provincial government has provided municipalities with recommended standards for their updated bylaws that would approximately double the allowable floor space. Unfortunately, these are not strict legislative requirements but rather non-binding policy guidelines to which municipalities must give due consideration. As BC cities have been updating their zoning bylaws, they have consistently adopted more restrictive zoning than the provincial guidelines

21 Alex Hemingway, "Vancouver's go-slow multiplex policy could blow a hole in provincial housing projections," *Policy Note*, February 21, 2024, https://www.policynote.ca/multiplex-policy/.

recommend. In our view, zoning should allow, as of right, the development of multiplexes to small apartment buildings with triple or more the current permitted FSR—that is, at least 2.1 FSR.

A common concern about upzoning (permitting greater density) is that it will increase the price of land, thereby negating the impact of higher density for affordability. While windfall profits going to existing landowners is problematic, some uplift in land prices may be needed so that current owners sell their land for redevelopment. However, the surge in land prices associated with increased density on a limited number of parcels of land each year is not the same as spreading out those development pressures through broad-based upzoning of vast detached housing neighbourhoods. Such a framework would constrain land price inflation as developers will have many more options to acquire land than under current rezoning systems. The results of broad-based upzoning in Auckland, New Zealand, resulted in a reduction in land prices per home permitted on upzoned lots.[22]

Reform public hearings

New provincial legislation seeks to shift away from the outdated system of site-by-site rezoning and toward broader and more regular community planning processes. The legislation requires municipalities to update their Official Community Plans every five years and pre-zone for at least 20 years of housing need based on an updated housing needs report that cities must produce. This primary stage is when broad and inclusive community input and discussion should take place. In addition, if a housing project seeking rezoning is already compliant with a municipality's Official Community Plan, the project can no longer be subject to an additional public hearing relitigating the project at the rezoning stage.

This shift toward proactive and broad-based planning processes is a positive change. Spot rezonings provide a focal point for neighbourhood opposition, whereas the many citizens who would benefit from new housing do not—and cannot realistically be expected to—show up at every separate public hearing. Democratic participation and accountability still need to be present when creating new housing, but we note that existing public hearings are not particularly democratic as they systematically underrepresent the interests of renters and those who have been priced out or are otherwise excluded from communities.[23]

22 Geoff Cooper et al., *Measuring the Cost of Land Inputs to Housing Construction* (Urban and Spatial Economics Hub, Policy Paper No. 001, Economic Policy Centre, July 2022): 12, https://cdn.auckland.ac.nz/assets/auckland/business/our-research/docs/economic-policy-centre/urban-and-spatial-economics/Measuring%20the%20cost%20of%20land%20inputs%20to%20housing%20construction.pdf?page=12.

23 Katherine Levine Einstein et al., *Neighborhood Defenders: Participatory Politics and America's Housing Crisis* (Cambridge, MA: Cambridge University Press, 2019), https://www.cambridge.org/core/books/neighborhood-defenders/0677F4F75667B490CBC7A98396DD527A#fndtn-information/.

We recommend using deliberative mini-publics (also referred to as citizens' panels and citizens' assemblies) as a primary form of public engagement on land-use questions.[24] Rather than relying solely on self-selection, which leads to public hearings skewed against renters and other marginalized groups, mini-publics select participants through a democratic lottery that puts everyone on an equal footing. This means that if 40% of a city's residents are renters and 60% are racialized people, then approximately 40% and 60% of the participants in a mini-public selected by lottery will be renters and racialized people, respectively. Mini-publics can help better align land use policies with the views of people from all walks of life and living circumstances. As an example, the City of Burnaby has undertaken a citizens' assembly to advise on updating its Official Community Plan.[25]

Ensure market development contributes to dedicated affordable housing

In exchange for density that creates new market value, new market housing developments should be required to contribute to housing affordability, not just increased supply at market rates. This contribution can be achieved by setting out in advance requirements that a certain percentage of units be made affordable, a measure that will constrain developers from bidding up land prices too much. For example, density restrictions could be largely eliminated as long as a large portion of the units (or built floor area) were designated to a pool of non-market housing or housing that met certain affordability criteria. The precise requirements would be regularly updated to reflect shifting market conditions such as interest rates and land and construction costs, with the aim of ensuring that an abundance of projects is always viable to maximize the total number of new non-market homes being created.

New market housing developments should be required to contribute to housing affordability.

Alternatively, developers could pay into an affordable housing fund rather than build the units. The charge per square foot, however, would have to be sufficiently high to raise enough revenue to build an affordable unit elsewhere. When cities establish these types of requirements consistently and in advance, developers will tend to bid lower when purchasing land for development, anticipating the additional costs. The selling landowner effectively absorbs the cost in the form of lower land prices. While prospective developers also have to compete against the value of a site under its existing use, if the vast and underutilized detached housing areas are upzoned, developable sites will be abundant.

24 Alex Hemingway and Simon Pek, "To break housing gridlock, we need to democratize unrepresentative public hearings," *Policy Note*, February 22, 2023, https://www.policynote.ca/democratize-public-hearings/.

25 City of Burnaby, "Burnaby Community Assembly Provides Unprecedented Opportunity for Residents to Shape Their City," (news bulletin, January 9, 2024), https://www.burnaby.ca/our-city/news/2024-01-09/burnaby-community-assembly-provides-unprecedented-opportunity-residents.

The approach described above is a version of an inclusionary zoning policy, but one that seeks to maximize total non-market and market housing creation. Currently, municipalities seek to capture a portion of the increase in land value associated with new density using two strategies: inclusionary zoning policies, which require a minimum percentage of affordable units, and community amenity contributions (CACs), which are technically voluntary but associated with rezoning negotiations between local governments and developers. However, in many cases the developer has to buy land without knowing what the CACs will be and this uncertainty leads to fewer developable sites being purchased and less housing being created.

CACs have also become a major source of funds for local governments. These contributions help keep property taxes for existing homeowners lower and they put the burden of new physical and social infrastructure on new residents rather than spreading those costs across all residents. These dynamics can have an impact on the viability of new projects.

Recent provincial legislation aims to provide municipalities with clearer powers to impose inclusionary zoning requirements on new developments, while also requiring municipalities to carry out an economic feasibility analysis to clarify what level of additional density would be needed to ensure projects remain economically viable.[26] This legislation seems to strike a reasonable balance. If a potential project doesn't get built in the first place, no new market rate *or* affordable homes are created, and everyone is worse off.[27]

These affordability considerations are much more important than existing screens for character and building form. A streamlined process could allow much higher densities by right without the need for the discretionary approval of a development permit, cutting out many cumbersome requirements (parking requirements, minimum setbacks from the street, character features) but stepping up affordability provisions. We see a role here for affordable housing building templates—blueprints for passive house, multi-unit buildings, for example, that can be replicated across the province. Both provincial and federal governments are now pursuing this avenue.

Implement renter protections

When they are concentrated in existing apartment areas, redevelopments have the potential to displace long-tenured renters currently paying reasonable rents (kept down by rent control) and who may not be able to afford an increase. Too often the properties coming available for rezoning at higher density are properties already at densities higher than detached housing. This stock of existing affordable rental housing, largely in the form of three- or four-storey

26 Government of BC, "New Zoning, Amenities, Tenant Protections Support People, Create Livable Communities" (news release, April 3, 2024), https://news.gov.bc.ca/releases/2024HOUS0049-000471.

27 Shane Phillips, *Modeling Inclusionary Zoning's Impact on Housing Production in Los Angeles: Tradeoffs and Policy Implications* (report for the UCLA Lewis Center for Regional Policy Studies, April 4, 2024), https://ternercenter.berkeley.edu/research-and-policy/inclusionary-zoning-housing-production-modeling/.

walk-ups and other small apartment buildings, should be protected as much as possible, with development focused on the least-utilized sites such as single-family lots.

A robust system of renter protections should include a fair process for any renters adversely affected by redevelopment, whether on existing apartment sites or in detached-housing neighbourhoods (in particular, secondary suite renters). The City of Vancouver's Broadway Plan brought in generous tenant protections, including a right of first refusal to return to the new building at their existing rent (or at a 20% discount to Canada Mortgage and Housing Corporation [CMHC] city-wide average rent, whichever is lower), a moving allowance and top-ups for rent while waiting for new accommodation.

In the face of needed density and a desire to treat renters fairly, these best-in-class provisions could be extended beyond the Broadway corridor to other parts of the city, region and province. The City of Burnaby now has a similarly strong tenant relocation policy which was adopted after mass "demovictions" in the Metrotown area.[28] In addition to protecting long-tenured renters directly, strong tenant protections effectively increase redevelopment costs proportionally to the number of existing renters (and inversely to their rent levels). This reality has the benefit of steering new apartment buildings toward the lowest-density sites with the least displacement (if combined with upzoning of low-density areas).

A robust system of renter protections should include a fair process for any renters adversely affected by redevelopment.

New provincial legislation aims to strengthen local government powers to enact these types of tenant protections, allowing these protections to be written into bylaws rather than applied only as a matter of policy (and to be made a condition of receiving a development permit so that they can apply even in the absence of a rezoning).[29] An important next step would be for the provincial government to bring in its own minimum standards for these protections that would apply across BC.

Support public and non-profit housing developments

Non-profit housing developers, whose missions are aligned with the objective of building more affordable housing, can build dedicated rental units at lower rents than market rates and can achieve deeper levels of affordability with public land contributions and subsidies. Non-market (including public and co-op housing) developments should be prioritized, with waived fees, expedited processes and higher permitted densities to make projects competitive with for-profit developments.

28 Howard Chai, "Burnaby Just Made Its Province-Leading Renter Protections Even Stronger," *Storeys*, November 7, 2022, https://storeys.com/city-of-burnaby-renter-protections-strengthening-november-2022/.

29 Government of BC, "New Zoning, Amenities, Tenant Protections."

Local governments could implement simplified approval processes and faster permit times for non-profits seeking to develop non-market projects at increased densities. Indeed, cities could eliminate the site-by-site rezoning process altogether for non-market housing projects, allowing them by right across all neighbourhoods, including wealthy single-family areas. The rezoning process is a barrier to non-market housing creation that adds costs and delays to projects.[30] Another possibility would be establishing a right of first refusal for property purchases that could become social or non-market housing.

Local governments can also act as public sector developers and/or contribute public land toward new non-market housing. In the City of Vancouver context, a more ambitious incarnation of the Vancouver Affordable Housing Agency combined with the Vancouver Affordable Housing Endowment Fund have the key ingredients to become a more active public sector player.

30 Alex Hemingway, "Time to scale up: next steps for non-market housing in BC," *Policy Note*, May 7, 2024, https://www.policynote.ca/scale-up/.

Directions for the BC government

The BC government has legislative and regulatory power over land and housing, taxation powers over property and spending power to shape the housing system. As noted above, a number of tax measures were implemented between 2016 and 2019 to cool demand from foreign buyers and to a lesser extent domestic investors, including a new tax on flipping properties starting in 2025.

> The BC government has introduced a number of measures to boost private market supply.

Additional measures include supports to renters. The BC Renter's Tax Credit, started in 2024, provides $400 per year for households earning less than $60,000, with decreasing amounts as household income approaches $80,000. In addition, the BC government created the Rental Protection Fund ($500 million in one-time funding) to enable non-profit acquisitions of existing affordable rental stock. Rent increases were capped in 2021 during the COVID-19 pandemic, and permitted increases were limited to 1.5% and 2% in 2022 and 2023 respectively, although the permitted increase for 2024 is up to 3.5%.[31]

As we detail above, the BC government is beginning to take supply seriously and has introduced a number of measures to boost private market supply and to a lesser extent non-market supply. A major gap still exists around the amount of public and non-market housing coming forward, as well as the need for deeper zoning reform. The 2018 Building BC program is a positive first step toward a range of non-market housing, and the 2024 BC Builds program has promise as it implements a number of the principles for non-market housing development

31 Government of BC, "Rent Increases," last updated July 11, 2024, https://www2.gov.bc.ca/gov/content/housing-tenancy/residential-tenancies/rent-rtb/rent-increases.

we articulate above. Both programs, however, are undersized relative to the housing affordability challenges facing low- to middle-income households.

Below, we propose further reforms to build on BC's housing policy moves of the past several years. BC Stats estimates that the provincial population could rise from 5.7 million in 2024 to 7.8 million in 2046, a 36% increase in just over two decades.[32] Clearly, much more policy action is needed to meet BC's need and demand for housing today and for decades to come.

Increase housing supply targets and expand zoning reforms

As part of the Housing Supply Act, the BC government has released housing supply targets for 30 local governments as of Spring 2024. These targets are an important innovation although they are not particularly ambitious given the scale of the housing crisis and relative to past building. Table 1 compares total housing units completed (net of demolitions) over the past five years (a period that includes the shutdowns associated with the COVID-19 pandemic) and the new targets for five Metro Vancouver municipalities on the list. One caveat is that much-higher currently prevailing interest rates have increased the financial hurdle for getting new projects built.

TABLE 1 BC Housing targets for five Metro Vancouver municipalities versus net completions

	Housing net completions 2018–22	Five-year housing supply target 2024–28
Vancouver	25,438	28,900
West Vancouver	923	1,432
District of North Vancouver	3,047	2,838
Port Moody	1,591	1,694
Delta	1,802	3,607

Sources: *Metro Vancouver Housing Data Book*, https://metrovancouver.org/services/regional-planning/housing-data-book; Canada Mortgage and Housing Corporation, Starts and Completions, January to December 2022, https://www.cmhc-schl.gc.ca/professionals/housing-markets-data-and-research/housing-data/data-tables/housing-market-data.

32 BC Stats, BC Population Projections, https://www2.gov.bc.ca/gov/content/data/statistics/people-population-community/population/population-projections.

The housing needs assessments that underlie these provincial supply targets systematically underestimate the need for more homes compared to the CMHC estimates. The stakes of improving these needs assessments go beyond the targets set by the Housing Supply Act because under new provincial legislation they will also become a key input into cities' Official Community Plans. Cities will be required to zone in advance for 20 years of estimated housing need. To this end, cities will need to complete new Interim Housing Needs Reports by January 1, 2025, using a new methodology, which may go some way to addressing the deficiencies of the earlier needs assessments. While the new assessments should improve the updating of Official Community Plans, they don't change the existing targets.

With new minimum densities across the province at three to four units per standard lot, higher minimum floor space/area ratios (FSR or FAR) are also needed. Depending on the area, current permitted densities could be doubled, tripled or more, allowing for multiplexes and small apartment buildings across a much larger area.

Independent modelling commissioned by the province found that the combination of legislation on new density allowed near transit plus multiplexes in single-family areas could lead to completing 250,000 net new homes above trend over 10 years.[33] However, these estimates depend on robust implementation of zoning reform by municipalities. For example, the estimate assumes that municipalities align with the provincial recommendation of allowing multiplexes with a FAR of 1.5 in most detached housing areas (roughly a doubling of density though this amount varies by municipality). But since these and other provincially recommended site standards are non-binding guidelines, cities have been taking advantage of the wiggle room and bringing forward much more restrictive standards as they update their zoning bylaws in response to the provincial legislation.

Low-rise rental housing—non-market and market alike—should be allowed throughout low-density single-family areas.

Indeed, relative to adopting the higher provincial standards, the City of Vancouver's restrictive multiplex policy will lower the estimate for new home creation by more than 30,000.[34] Similar challenges could arise with the transit-oriented development legislation as municipalities maintain significant latitude to impose requirements that could undermine the viability of new housing creation in these areas.

Beyond more robustly implementing its recent changes, the province should also expand its zoning reforms. One promising possibility would be to add more province-wide upzoning specifically for non-market housing—perhaps at double or triple the allowable densities in any given area (or six storeys, whichever is higher). The aim would be essentially to take zoning out of the equation as a constraint on non-market housing and ensure that non-profit and public

33 Jens von Bergmann, Tom Davidoff, Albert Huang, Nathanael Lauster and Tsur Somerville, *SSMUH and TOA Scenarios in British Columbia*, prepared for BC Ministry of Housing, December 6, 2023, https://www2.gov.bc.ca/assets/gov/housing-and-tenancy/tools-for-government/local-governments-and-housing/ssmuh_toa_scenarios.pdf

34 Alex Hemingway, "Vancouver's go-slow multiplex policy could blow a hole in provincial housing projections," *Policy Note*, February 21, 2024, https://www.policynote.ca/multiplex-policy/.

developers have a much-needed leg up when competing with private market developers for the acquisition of any given parcel of land. Moreover, low-rise rental housing—non-market and market alike—should be allowed throughout low-density single-family areas, including the wealthiest enclaves. Apartment buildings should not be limited to areas adjacent to rapid transit.

Commit to 250,000 non-market rental units

For a generation, the BC government did little to fund social or community housing. The 2018 budget began to change that trend by laying out a 10-year Building BC housing plan and subsequent budgets have set even higher targets for new housing. These initiatives have been slow to produce housing units, in part due to the COVID-19 pandemic.

Updated 2023 budget briefing notes to the Minister of Housing show that 16,777 units had been completed as of the end of 2022. Table 2 shows the majority of those completions are units aimed at the most vulnerable and homeless populations. Student housing also makes up a large share of that total, with 7,766 units completed by the end of 2022. As of the 2023 budget, the BC government is planning to invest about $12 billion in capital and operating supports toward its updated housing strategy. We recommend greater transparency and public disclosure of housing efforts, including regular reporting on the progress to reach these targets as well as independent evaluation and assessment.

With the rise in interest rates, continuing to provide low-cost financing is key.

The Community Housing Fund (CHF) is the part of the 2018 Building BC program that most resembles historical social or non-market housing that is affordable for low- to moderate-income households. In 2018 the target for the CHF was 14,350 units and in 2023 this target was increased to 20,350 units. However, only 1,475 units had been completed as of the end of 2022, with 4,557 units in development and another 2,911 "initiated." Some 11,407 units remain outstanding while recent calls for proposals have been oversubscribed, suggesting the BC government could move more quickly to get these units built.

Providing low-interest loans, rather than grants, for student housing and other housing partnerships has become a more central focus of the government's housing agenda. Low-interest loans can play a supportive role, but they are not the same as direct expenditures. With the rise in interest rates, continuing to provide low-cost financing is key. This financing is particularly important for non-profits but should also include private-sector projects that meet affordability criteria.

Extrapolating our research for Metro Vancouver, a bold BC-wide plan to build a new supply of dedicated, non-market affordable housing should aim for 25,000 new non-market units per year—i.e., a quarter of a million homes over the next decade. This number represents a commitment to keep building for the next generation. A non-profit model reduces costs by cutting out developer profits and targeting new units on a break-even basis rather than at market rates. A

TABLE 2 BC Housing new construction as of Dec 31, 2022

	Headline count (2018)	Updated headline count (2023)	Completed, 2018-2022	In development or under construction	Initiated	Missing housing
Granting programs			units			
Budget update Sept 2017				-		
Rapid response to homelessness	2,000	2,000	1,894	-		106
Affordable rental housing	1,700	1,700	465	577	105	553
Building BC capital program 2018						-
Community Housing Fund	14,350	20,350	1,475	4,557	2,911	11,407
Indigenous Housing Fund	1,750	3,500	427	768	321	1,984
Women's Transition Housing Fund	1,500	3,000	188	546	164	2,102
Supportive Housing Fund	2,500	5,700	1,812	1,283	701	1,904
Budgets 2019+2020 Homelessness Action Plan	400	2,524	409	115	-	2,000
Total granting programs	24,200	38,774	6,670	7,846	4,202	20,056
Loan programs						
Housing Hub	8,800	8,800	2,341	4,225		2,234
Student housing	8,000	12,031	7,766	2,115		2,150
Total loan programs	16,800	20,831	10,107	6,340		4,384
Total	**41,000**	**59,605**	**16,777**	**14,186**	**4,202**	**24,440**

Notes: Budget 2018 also includes 4,900 units under Deepening Affordability of Existing Projects, which are not included in this table. The "headline count" budget includes operating and capital contributions for granting programs, and loans for loan programs.

Source: Government of BC, Ministry of Housing, "Estimates Notes," 2023, https://www2.gov.bc.ca/gov/content/governments/about-the-bc-government/open-government/open-information/government-information-regularly-released/estimates-notes.

ramp-up of this scale would benefit from a coordinated multi-government approach that can leverage economies of scale by employing modularized construction techniques and using replicable building templates for pre-approved mid-rise, passive house, multi-unit buildings. This ramp-up would be accompanied by a dedicated construction workforce to support job security and stability.

The high cost of land is a major barrier to developing affordable housing. The use of city- or government-owned land for affordable housing has widespread support across the political spectrum and these efforts should be accelerated. In addition to using existing public lands, we need a strategy to purchase more public lands for an affordable housing build-out and a more coherent land banking/assembly system. The BC Assets and Land Corporation (later Land and Water BC) is a historical example of this type of system, although in its later years its activities were largely around selling land. As discussed above, broad-based upzoning for non-market housing can also help increase the availability of land.

Expand the Rental Protection Fund

The BC government's $500-million Rental Protection Fund aims to help non-profits purchase and maintain existing affordable housing for low- and modest-income households. The idea is that most of the purchase price is held as a mortgage by the non-profit, which will maintain existing rents and pay down the mortgage over time, with the BC government contribution levelling the playing field for non-profits vis-à-vis corporate entities (including Real Estate Investment Trusts).

It is anticipated that the new fund will support more than 2,000 homes being protected from changes in ownership based on hiking rents to boost profits. While 2,000 homes represent a good start, that number is a drop in the bucket of the existing rental homes across BC. New financial commitments to bolster the Rental Protection Fund should be engaged as the current fund is depleted.

Create a new housing benefit

One of BC's most anachronistic housing policies is the Home Owner Grant (HOG). Introduced as a political gimmick in 1957 by the W.A.C. Bennett government, the $900 million per year HOG should be eliminated and replaced. The HOG system does not exist anywhere but BC. It is fundamentally unfair—a pointless tax reduction for those with the privilege of home ownership.

Amounts vary for the HOG, which goes to owners living in their principal residence: from $570 per owner in the Lower Mainland and Greater Victoria to $770 for owners in rural and northern areas, plus an additional $275 provided to seniors, eligible veterans and people with disabilities.

A new Renter's Tax Credit (RTC) of $400 per year partially closes the gap with the HOG. In 2023/24, the BC government will spend about $910 million on the HOG compared to only $310 million for the RTC. This is due to the greater base amounts for the HOG over the RTC, as well as the fact that homeowners represent about two-thirds of BC households, compared to one-third who are renters.

In addition, the RTC is income tested: households with up to $60,000 of income will get the full amount, and those earning more income receive a lower tax credit until it is phased out by $80,000 of income. The HOG only exempts owners of the most highly valued BC homes. The full HOG is provided up to an assessed value of $2.125 million and is phased out completely by an assessed value of $2.334 million. As we have previously recommended, an income-tested housing grant going to renters and owners alike would better level the playing field.

The grant would be in addition to existing provincial rental housing supports (Rental Assistance Program [RAP] and Shelter Aid for Elderly Renters [SAFER]) as well as the shelter component of social assistance. The RAP program applies to working families with income under $40,000, which was 4,800 households as of December 31, 2023.[35] The SAFER program supported 23,800 households as of December 31, 2023.

Reform property taxation

Property wealth has become a massive source of inequality in BC as home prices and rents have risen dramatically amid a severe housing shortage. A consequence of these high prices has been an explosion of residential real estate wealth now totalling over $2.1 trillion in the province,[36] a stock of wealth that remains only lightly taxed. In less than two decades, just the *increase* in residential property wealth has amounted to a staggering $1.7 trillion.

Yet, in regions where property value gains have been most concentrated, property tax rates have declined sharply over the past two decades. The existing annual property tax system is designed in a way that ensures only an ever-shrinking share of property value will be taxed and shared, with property tax mill rates reduced in proportion to offset rising property values. Low property tax rates mean the "carrying cost" of holding land is very low, thus encouraging landowners to sit on residential real estate as an investment.

As a CCPA report explored last year, a number of provincial property tax policy options could help tackle this extreme inequality, raise revenue for badly needed public investments including

35 Government of BC, Ministry of Finance, "Estimates Notes," 2023.

36 BC Assessment, 2024 Assessment Roll Total Value by Property Class, https://info.bcassessment.ca/Shared%20Documents/2024/2024%20Assessment%20Roll%20Total%20Value%20by%20Property%20Class.pdf.

affordable housing and make real estate a less lucrative target for passive, non-productive investment.[37] These policy options include:

- raising tax rates on high-end properties.
- taxing the total property holdings of large landowners.
- ending the automatic tax rate cuts that occur as property values rise.
- shifting the focus of property taxation to the land value portion rather than to the building or "improvement" value.

The revenue potential of taxing even a sliver of BC's property wealth is enormous. For example, increasing tax rates on property values above $3 million (and adding a new bracket above $7 million) could increase provincial revenues by an estimated $356 million per year while affecting only 1.9% of BC's most-expensive properties. A somewhat broader-based option of a deferrable surtax on property values above $1.5 million could increase annual revenues by an estimated $1.8 billion while affecting less than 12% of BC households.

The vast majority of BC's residential property wealth is in the value of the land rather than in the buildings on it.

The vast majority of BC's residential property wealth is in the value of the land ($1.5 trillion) rather than in the buildings on it. Because land value is created through no action of the landowner—and because the physical supply of land is fixed—land value taxes result in no disincentive to productive investment. Moreover, since land cannot be picked up and moved, land value taxes are difficult to evade. As a result, economists tend to view land value taxes as an especially efficient form of taxation. Greater shifting of taxes onto the land portion would reward households choosing to live in more dense developments, meaning lower taxes for a condo in a higher-density housing development (for equivalently assessed and similarly sized units).

BC's Property Transfer Tax could also be reformed to address speculative behaviour in the housing market. Singapore, for example, actively shapes demand through much higher property transfer taxes (called stamp duties) than currently prevail in BC. No stamp duty is payable for a Singapore citizen's first property but the rate jumps to 20% of assessed value for the second and 30% for third and subsequent properties. Foreigners pay a flat 60% stamp duty on any purchases and corporate entities pay 65%. Housing developers pay a 40% stamp duty, but most of this duty can be avoided by meeting certain conditions.[38]

37 Alex Hemingway, "Taxing land wealth for the public good: provincial policy options," *Policy Note*, August 30, 2023, https://www.policynote.ca/property-tax-reform/.

38 Inland Revenue Agency of Singapore, "Additional Buyer's Stamp Duty (ABSD)", webpage accessed August 7, 2024, https://www.iras.gov.sg/taxes/stamp-duty/for-property/buying-or-acquiring-property/additional-buyer's-stamp-duty-(absd).

Update rent controls

To better protect renters, we recommend vacancy control to limit rent hikes between tenancies. Typically, rents for those who have to move are much higher than average rents, a moving penalty that means people will be less mobile than they otherwise would be. Vacancy control ties rent and permitted annual rent increases to the unit rather than the tenant, removing the incentive for illegal and legal evictions (such as for renovations or moving in a landlord's family). In BC, a lack of security of tenure has been a significant challenge for renters in recent years, particularly those in secondary suites and rented condos.

Vacancy control will be predictably and vigorously opposed by groups like Landlord BC, which has even been making the obviously self-serving claim that removing existing rent controls is a way to spur more new rental housing construction. But removing rent controls would simply amount to handing windfall gains to landlords, particularly for owners of existing buildings.

Introducing vacancy control can include an exemption for new buildings (e.g., for 20 years as in the Manitoba model[39]) and be paired with ambitious zoning and approvals reform to ensure a strong incentive for building new rental housing. In this way, vacancy control can help to limit the harm caused by a broken housing market while other policy tools are brought to bear to address the underlying housing shortage leading to ever-rising market rents.

39 Hugh Grant, *An Analysis of Manitoba's Rent Regulation Program and the Impact on the Rental Housing Market*, (report for the Department of Economics, Faculty of Business and Economics, University of Winnipeg, January 11, 2011), https://www.gov.mb.ca/cca/pubs/rental_report.pdf.

Directions for the federal government

With national scope, regulatory powers of mortgage lending and deep fiscal pockets, the federal government is a key player in housing. After World War II, the federal government played a more-active role in the development of affordable housing through tax breaks on purpose-built rental construction as well as by investing in public and non-market housing in collaboration with provincial/territorial governments and non-profit organizations. During the early 1990s period of fiscal restraint, the federal government largely exited this space.

Rapid Housing Initiative (RHI) funds were used to buy hotels for conversion to housing for people experiencing homelessness.

The federal government's 2017 National Housing Strategy was billed as a re-entry into developing affordable housing. However, to date it has delivered relatively little of what Canadians might consider to be affordable housing or social housing. More of the strategy's efforts have been to provide low-cost financing to private (both non-profit and for-profit) rental projects. During the COVID-19 pandemic, which exposed housing insecurity across the country, the federal government added the Rapid Housing Initiative (RHI) to support the acquisition of social and supportive housing (in Vancouver, for example, RHI funds were used to buy hotels for conversion to housing for people experiencing homelessness). Over three rounds, the RHI has been funded with $4 billion from the 2020 Fall Economic Statement and the 2021 and 2022 federal budgets.

Amid worsening affordability, the federal government added a $4-billion Housing Accelerator Fund in the 2022 budget aimed at municipal governments to reform zoning, increase housing supply close to transit hubs and help with other related measures in support of densification. Funding began to roll out in 2023 and the fully subscribed fund was topped up with

$400 million in the 2024 budget. The 2022 budget also announced a $4-billion (over five years, Canada-wide) Indigenous housing program, which is expected to launch in 2024/25.

In addition, the federal government eliminated the Goods and Services Tax (GST) on new purpose-built rental construction projects. This move will lower costs for non-profit developers leading to lower break-even rents. For private developers, the result will still be market rents for completed projects, but removing the GST importantly lowers a hurdle to starting new projects, many of which have been adversely affected by higher interest rates. The 2024 budget extended the GST break also to new student residences.

Ottawa has brought in other complementary tax changes. Under a federal "flipping tax," as of 2023 the capital gains related to properties sold within a year of purchase are taxed fully as business income rather than qualifying for the 50% capital gains inclusion rate for secondary properties or for the 100% exemption rate for principal residences (with carve-outs for certain life events). The federal government has banned foreign purchases of non-recreational residential properties, originally for two years and now for another two years (to January 1, 2027).[40] And the 2024 budget increases the capital cost allowance (the rate that capital investments can be expensed against revenues over many years) from 4% to 10%, thereby allowing housing investments to be written off more quickly.

The federal government needs to be a key player in building affordable housing and eliminating homelessness.

Additional measures in the 2024 "housing budget" include $900 million toward green buildings, most of which is going to a low-income energy-efficiency upgrading program; a commitment to lease federal public land for affordable housing; additional funds to address homelessness; a loan program to encourage new secondary suites and additional low-interest loans for rental development. However, the budget also stimulates demand in a perverse way by allowing 30-year mortgage amortization and a higher ceiling for first-time homebuyers to tap into their Registered Retirement Savings Plans (RRSPs) for a down payment.

Largely missing from these actions, which are on balance positive, is a stronger commitment to build the social/community, non-market/public housing that would provide units for low- to middle-income households (although there is a modest amount of new funding to these ends). That is, the heralded return to a more-activist federal government as in the 1960s to 1980s has not materialized. With access to nationwide taxation powers and borrowing capacity, the federal government needs to be a key player in building affordable housing and eliminating homelessness. This commitment will require higher levels of funding support. The federal government is also uniquely poised to be able to reform the tax system, which is heavily tilted in favour of homeowners over renters.

40 Government of Canada, Department of Finance, "Government Announces Two-Year Extension to Ban on Foreign Ownership of Canadian Housing" (news report, February 2024), https://www.canada.ca/en/department-finance/news/2024/02/government-announces-two-year-extension-to-ban-on-foreign-ownership-of-canadian-housing.html.

Recommit the National Housing Strategy to build non-market housing and end homelessness

Re-engaging the federal government in developing non-market (community, social and co-op) housing supply is much needed. The federal government is ideally poised to address the core challenge: the upfront capital costs of getting new housing built. Once built, new housing can generate a stream of rental income to repay the initial investment. Through a mix of making direct investments, providing public land and ensuring low-cost financing, we recommend the federal government make a generational investment to dramatically increase non-market housing supply, end the crisis of homelessness and reduce the upward pressure on rents in the for-profit rental market.

Table 3 shows that since the start of the National Housing Strategy in January 2018 until February 2, 2023, the federal government facilitated over $3.4 billion in housing funding for BC via CMHC. Some $2.6 billion of the total is loans for the Apartment Construction Loan Program (formerly the Rental Construction Financing Initiative), of which most has gone to one project: $1.4 billion for the Indigenous-led Sen̓áḵw development in Vancouver. The Rapid Housing Initiative contribution to date is $276 million, but does not reflect the newest round of funding.

TABLE 3 National Housing Strategy units created in BC, January 2018 to January 2023

BC projects	CMHC total funding (loans plus contributions)	CMHC loans	CMHC contributions	Number of units built	Number of affordable units built
Affordable Housing Fund	($ million)	($ million)	($ million)		
New construction	564	359	204	4,380	3,161
Repair	0.78		0.78	92	92
Rapid Housing Initiative	276		276	871	853
Apartment Construction Loan Program	2,604	2,604		6,128	2,413
BC total	**3,444**	**2,963**	**481**	**11,471**	**6,519**

Notes: Data are current to February 2, 2023, and reflect announced but not necessarily completed units. The Affordable Housing Fund was previously named the National Housing Co-Investment Fund and the Apartment Construction Loan Program was previously named the Rental Construction Financing Initiative. Affordable Housing Innovation Fund numbers are not included due to anomalies in the data file.[41]

Source: Government of Canada, National Housing Strategy Announced Projects, 2023 (no longer available online).

41 Reported as a CMHC contribution of $66 million, no loans, and total funding of only $7.8 million.

The CCPA's Alternative Federal Budget calls for federal loan financing and capital grants to build one million non-market homes over 10 years. Under this approach, the federal government would provide low-interest, long-amortization loan financing for a minimum of 100,000 non-market homes per year on a cost-recovery basis. This upfront capital financing would be used to build publicly owned affordable housing as well as being advanced to non-profit developers as a long-term mortgage.

This financing would be further supplemented with $10 billion per year in capital grant funding to achieve more affordable break-even rents in these projects. BC's share of this housing would be 13%, or 130,000 additional units over a decade. These investments can also help support, in partnership with the provinces, the creation of supportive and complex care housing that provides wraparound support (social services in addition to housing) for people experiencing homelessness.

The federal government should also move to introduce a Homelessness Prevention and Housing Benefit modelled after a program proposed by the Canadian Alliance to End Homelessness, which would represent a significant expansion of the existing Canada Housing Benefit. The new benefit would provide cash assistance of $600 to $700 per month to an estimated 50,000 households experiencing chronic homelessness and another 385,000 households at risk of homelessness.[42]

In light of the additional costs of building housing due to higher interest rates, the Apartment Construction Loan Program should continue to provide low-interest loans for all rental housing projects, including for-profit developments that meet (more stringent) affordability criteria. At the same time, the eligibility criteria for non-profit developers should be eased. Indeed, non-profit housing developers could be provided a lower interest rate than for-profit developers, such as a 50-basis-point reduction, in order to spur non-market development.

Scale up the non-profit housing sector

Not-for-profit developers, including co-ops and not-for-profit community housing providers, have demonstrated the ability to deliver affordability. Like BC, the federal government can support the community housing sector to acquire existing affordable rental buildings to bring them into the non-profit world.

The Budget 2024 call to lease federal land for new housing projects is a positive step although greater clarity is needed to focus such land toward non-profit development. The 2017 National Housing Strategy included a Federal Lands Initiative, but later documentation stated the initiative was seeking to sell the land rather than lease it and keep it in the public realm permanently.

42 Steve Pomeroy, *Responding to a New Wave of Homelessness: Proposal for a Homelessness Prevention and Housing Benefit* (Cochrane, AB: Canadian Alliance to End Homelessness, 2023), https://caeh.ca/wp-content/uploads/Homelessness-Prevention-and-Housing-Benefit-Policy-Whitepaper-CAEH.pdf.

A federal news release in late 2023 noted a commitment of 15,600 units in Vancouver on federal surplus lands.[43] In addition to more overtly promoting non-profit development on existing public land, the federal government should look to acquire new public land for non-market housing.

The federal government recently announced a Canada Rental Protection Fund, modelled closely on the provincial policy in BC discussed above. However, this federal program includes only $470 million in capital funding (supplemented by $1 billion in loans) to be spread across the entire country, which is less than the $500 million the BC government dedicated to its policy in this province alone.[44] A more ambitious and better-financed version of this program is needed.

Reform taxation of capital gains from housing

The tax system treats gains in housing in a highly privileged manner compared to employment income. No capital gains tax is payable on the sale of a principal residence, and only half of realized capital gain for secondary residences must be declared for income tax purposes (recently increased to inclusion of 67% of gains above $250,000).[45]

The tax system treats gains in housing in a highly privileged manner.

Ending the principal residence deduction, or at least putting limits on the amount of untaxed capital gains from the sale of these homes, should be on the table to rebalance the situation of renters vis-à-vis owners. While fully taxing these gains would be the fairest approach, an exemption on the first $250,000 could be an acceptable political compromise. Another policy option would be to fully tax these gains but allow payment of the taxes to be deferred (with interest) if the proceeds of the sale are used to purchase a new principal residence (to avoid discouraging moves).

The federal government should also end various first-time homebuyer incentives that serve only to inflate the housing market. These incentives include the Tax-Free First Home Savings Account as well as the increase in the amount homebuyers can withdraw from their RRSPs toward a down payment.

43 These are 13,000 units for the Jericho Lands project and 2,600 units for the Heather Lands project, in collaboration with the Musqueam, Squamish and Tsleil-Waututh Partnership. While the release suggests these will be built by 2029, this seems unlikely given the current state of planning for those lands. Government of Canada, Public Services and Procurement Canada, "Federal Government Unlocking 6 Surplus Federal Properties to Build More than 2,800 New Homes in Calgary, Edmonton, St. John's, and Ottawa" (news release, November 7, 2023), https://www.canada.ca/en/public-services-procurement/news/2023/11/federal-government-unlocking-6-surplus-federal-properties-to-build-more-than-2800-new-homes-in-calgary-edmonton-st-johns-and-ottawa.html.

44 Prime Minister's Office, "Protecting and Expanding Affordable Housing" (news release, April 4, 2024), https://www.pm.gc.ca/en/news/news-releases/2024/04/04/protecting-and-expandingaffordablehousing.

45 In addition, no tax is payable on the "imputed rental income," the non-cash benefit of living in one's own home. Imputed rental income is part of Gross Domestic Product accounts but is not a widely understood concept.

Conclusion

On social media, the narratives explaining housing markets are often focused on one central factor: foreign buyers, greedy developers or corporate landlords forcing prices up. Instead, the factors affecting housing markets are diverse on both the demand and supply sides. This reality also means there are many avenues for affecting housing, at different levels of government.

In a short time, the BC government has made significant reforms to the province's housing market, with an emphasis on enabling supply-side solutions from the private sector. How these reforms will play out over time, as determined by local governments, remains to be seen and, as we have argued, further reforms are still needed to address long-standing exclusionary zoning policies. If the objective is lower housing prices and rents, current policy moves may only slow the pace of housing inflation and affordability returns only to the extent that household incomes rise faster than housing prices and rents.

A key remaining gap is to scale up public efforts to develop new non-market housing and to support the non-profit housing sector.

As we have stressed in this report, a key remaining gap is to scale up public efforts to develop new non-market housing and to support the non-profit housing sector. BC has a legacy of affordable housing from its shared investments in non-market housing from the 1960s to 1990s. Renewing and bolstering non-market housing is central to the needs of low- to middle-income households.

Ultimately, tackling the housing crisis requires an all-of-the-above approach, including making large increases in non-market housing investment, accelerating zoning reform and increases to the supply of homes overall, taxing ballooning land wealth, providing cash transfers to low-income renters and strengthening tenants' rights through stronger legal and regulatory protections.

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