



Upzoning Metro Vancouver's Low-density Neighbourhoods for Housing Affordability

BY MARC LEE

February 2022



CCPA
CANADIAN CENTRE
for POLICY ALTERNATIVES
BC Office

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Summary

This paper proposes a framework of conditional upzoning, a regulatory shift away from detached housing to allow higher-density development across the region, while requiring that all new housing development contributes to greater affordability.

TO ADDRESS THE TWIN CRISES OF HOUSING AFFORDABILITY and climate change, Metro Vancouver needs more housing. Specifically, the city needs more “missing middle” housing between the extremes of detached homes and large condo towers. This paper proposes a framework of conditional upzoning, a regulatory shift away from detached housing to allow higher-density development across the region, while requiring that all new housing development contributes to greater affordability. In particular, we aim to enable a growing stock of affordable non-market rental housing (rents set at 50–80 per cent of median market rent):

1. Open up detached housing zones across the region. The vast majority of land in Metro Vancouver is zoned for low-density, detached housing. Some 80 per cent of the land base is occupied by 35 per cent of households. In these areas, we would permit double to triple the current densities (measured as buildable area per lot, or floor space ratio).
2. Focus on the missing middle. New developments should include a range of housing types, from row housing and multiplexes to small apartments, and alternative tenure arrangements like co-ops, community land trusts and co-housing. The emphasis would be on small-lot development with minimal land assembly and parking requirements.
3. Ensure market development contributes to affordable housing. In market developments, one-third to one-half of units would be designated as affordable ownership or rental. Alternatively, developers would pay an affordable housing levy that could be used to build affordable housing elsewhere. This measure would help keep land prices in check so that gains from upzoning would not disproportionately go to existing landowners.
4. Support non-market development. Non-profit housing developers, whose mission is to create more affordable housing, can build dedicated rental units at a much lower cost. A stronger public sector presence in developing new affordable housing is also recommended. Non-market (including public and co-operative housing) developments would be prioritized, with waived fees and expedited approval processes.
5. Develop a robust system of renter protections. Existing affordable rental apartments should be protected as much as possible. A fair process should be implemented for any renters adversely affected by redevelopment in detached-housing neighbourhoods (in particular, secondary suites) including rights of first refusal, temporary accommodation and buyouts.

Complementary policies and support from the BC government could accelerate this transition and overcome hyper-localized politics. Initiatives should include:

- Zoning mandates. To break the impasse at the local government level, the BC government should step in to implement the type of framework cited above across Metro Vancouver or even province-wide.
- Public land. Make existing public land available for non-profit developers to build genuinely affordable housing. In addition, new public land should be acquired for the purpose of building new dedicated affordable housing.
- Progressive property taxation. Change tax rates and incentives to rebalance inequities in the housing system, encourage density and fund the acquisition of public land. This should include increases in property taxes, greater taxation of owners of multiple properties and shifting taxation to land versus buildings/structures.

It's time to build the housing we need for the future. The region's population will continue to increase over the coming decades. The decisions we make now will have an impact for many decades down the road. An aggressive build-out of affordable housing region-wide is central to creating a more fair and vibrant economy that also rises to the challenge of the climate emergency.

It's time to build the housing we need for the future.

Introduction

At the heart of this conversation is the unequal distribution of urban land enforced by zoning, the set of rules that specify what type of buildings can be built where.

THIS PAPER LOOKS AT THE CONTENTIOUS POLICY ISSUE OF upzoning, a regulatory shift away from “single-family,” or detached, housing toward new forms of multi-unit buildings.¹ Housing security is a complex topic, and upzoning is only one piece of our housing affordability challenge. For those priced out of the housing market, upzoning is a key plank. This paper articulates a housing supply and affordability agenda based on a framework of *conditional upzoning* to allow more density across the region in neighbourhoods zoned for detached housing while aiming to ensure a growing stock of affordable rental housing (rents set at 50–80 per cent of median market rent).

At the heart of this conversation is the unequal distribution of urban land enforced by zoning, the set of rules that specify what type of buildings can be built where. As statistician Jens von Bergmann summarizes for the City of Vancouver: “Thirty-five per cent of all households live on single family and duplex properties making up 81% of Vancouver’s residential land, while the remaining 65% of households live on 19% of the residential land.”² Across the region this pattern holds, with concentrations of high-density development around transit stations, amid a sea of detached homes.

Many are calling for a break from this “exclusionary zoning” by adding new higher-density and more affordable housing supply in the region’s low-density neighbourhoods. Upzoning the large expanse of the city currently reserved for detached housing would be a regulatory shift toward “missing middle” housing, which lies between the extremes of high-rises and detached housing. Higher densities are also justified from a climate action and environmental perspective. If people can live closer to workplaces, public services, shopping areas and other amenities, and in more energy-efficient, multi-unit buildings, they will have an inherently smaller environmental and carbon footprint. Lessening the need for car ownership can also reduce the cost of building new housing and lower monthly costs for households.

1 In the City of Vancouver in particular, the historical term “single family” no longer accurately represents a detached home. Redevelopment in detached-housing neighbourhoods now permits up to four units (a duplex with secondary suites) or a main home, a secondary suite and a laneway house on a single property, although without any increase in buildable square feet. The term “detached housing” is used in this paper.

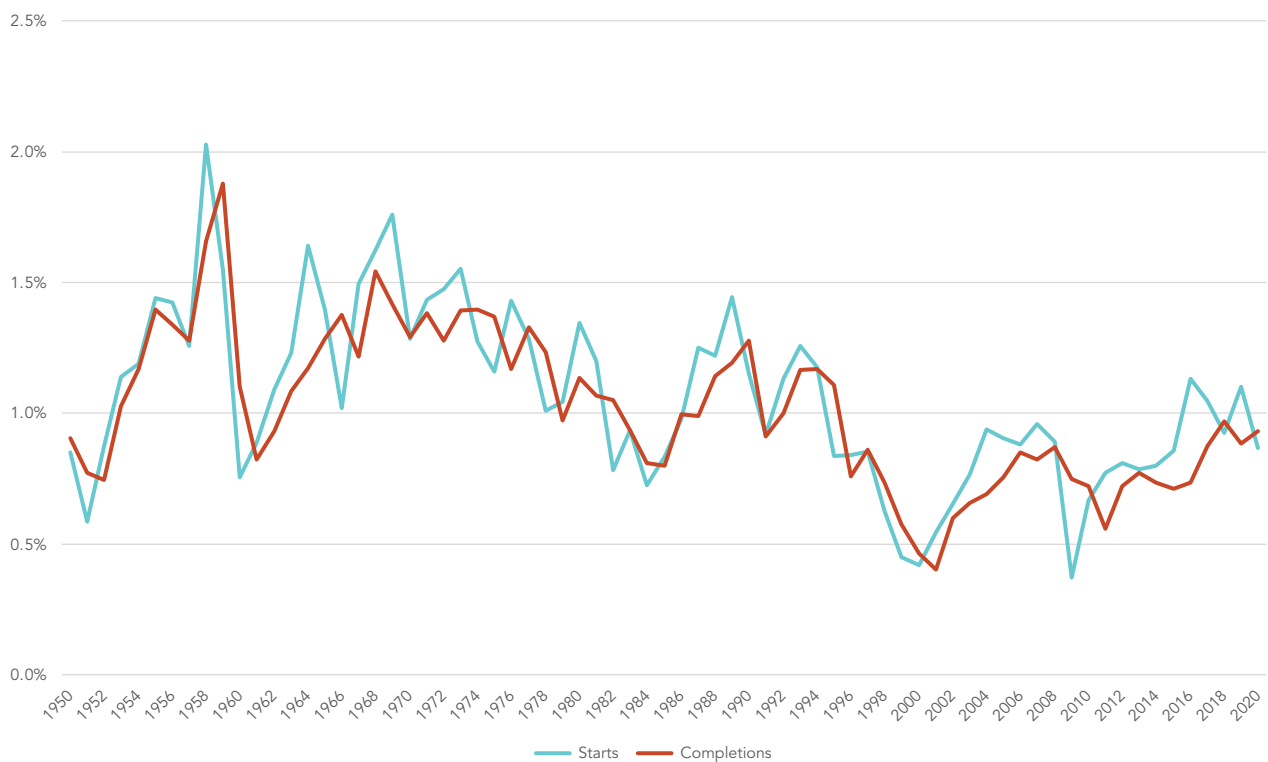
2 Jens von Bergmann, “SDH Zoning and Land Use: How Much Land Do Single Detached and Duplex Houses Consume?” *Mountain Math* (blog), June 17, 2016, <https://doodles.mountainmath.ca/blog/2016/06/17/sdh-zoning-and-land-use/>.

As Vancouver home builder Bryn Davidson has stated: “We need a broad conversation about how our leafy, pleasant single-family neighbourhoods might evolve into leafy, pleasant multi-family neighbourhoods that protect the climate and provide housing options for future generations.”³ The main challenge is that allowing more density could further escalate land values, so that any potential gains in affordability are lost to higher windfalls for landowners or developers. Thus, a core principle must be that all new housing development contributes to expanding the supply of affordable housing.

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This paper seeks some common ground, informed by three roundtable conversations held in Winter 2020/21 with a diverse range of housing experts and community advocates. It builds on previous research that concluded the region needs 10,000 new non-market housing units

Figure 1: Housing starts and completions as a share of population, Metro Vancouver, 1950–2020



Source: Housing data from Statistics Canada. Table 34-10-0134-01 Canada Mortgage and Housing Corporation, housing starts, under construction and completions in selected census metropolitan areas, annual, <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3410013401>. Population data from Macrotrends United Nations dataset. Vancouver, Canada Metro Area Population, 1950-2021. Original Source: United Nations - World Population Prospects, www.macrotrends.net.

3 Bryn Davidson, “Vancouver Character Homes—A Conversation,” *Dynamic Cities* (blog), December 12, 2016, <http://dynamiccities.org/blog-1/2016/12/12/vancouver-character-homes-a-conversation>.

per year to address affordable housing needs,⁴ and that affordable rents can be achieved with supportive public policy to spur non-profit housing development.⁵

New housing supply is a hotly contested issue. While Metro Vancouver has seen record housing construction in absolute terms recently, the region's population has grown as well. The amount of housing built as a share of population in recent years is low relative to the entire post-World War 2 period (Figure 1 on previous page). If housing starts per capita in Metro Vancouver in 2022 were at the same level as the 1960s and 1970s, we would be building about 34,000 new housing units. That number is well above the region's all-time highs of 28,141 housing starts in 2019 and 27,914 in 2016. Metro Vancouver can, and should, build housing at a faster rate than we have seen in the past couple of decades.

We must also determine what type of housing to build and for whom, whose interests government action serves and how we zone the city to provide social benefits not just private gains.

The path forward is about more than housing supply in the aggregate and abstract, however. We must also determine what type of housing to build and for whom, whose interests government action serves and how we zone the city to provide social benefits not just private gains. While upzoning is a key piece of the housing puzzle, it is not a panacea. Upzoning must be accompanied by complementary policies—such as a big build-out of non-market housing, supportive financing and rent controls—and linked to planning for public transit and other public services and amenities. Upzoning should thus be viewed as part of a plan to manage housing in the interests of people who live and work in the city, and should be accompanied by measures to dampen land speculation and purchases of investment properties.

Approaching the conversation this way challenges some core assumptions about housing in Vancouver: who owns and who finances new development, whether the path forward should be primarily about home ownership and led by for-profit developers, and whether home ownership should be the central means of achieving economic security. In Vancouver, the culture of building equity through home ownership is deeply entrenched and abetted by skyrocketing land values. The current density and redevelopment model relies primarily on for-profit developers with large land assemblies put forward for rezoning on a case-by-case basis. This strategy has resulted in relatively small amounts of affordable housing, funded out of community amenity contributions negotiated with the developers.⁶

4 Marc Lee, *Planning for a Build-Out of Affordable Rental Housing in Metro Vancouver: How Many Units and How Much Would It Cost?* (Vancouver: Canadian Centre for Policy Alternatives, December 11, 2019), <https://www.policyalternatives.ca/publications/reports/planning-build-out-affordable-rental-housing-metro-vancouver>.

5 Marc Lee, *How to Build Affordable Rental Housing in Vancouver* (Vancouver: Canadian Centre for Policy Alternatives, March 16, 2021), <https://www.policyalternatives.ca/publications/reports/how-build-affordable-rental-housing-vancouver>.

6 Marc Lee, "Big Ideas on the Supply Side of Housing Affordability," *Policy Note*, July 14, 2021, <https://www.policynote.ca/housing-affordability/>.

Policy directions for affordable upzoning

UPZONING IS LIKE CREATING NEW LAND: while the total amount of land in the region is fixed, we can add more housing by allowing higher-density buildings. Granting the right to create new public or private space in this way is very valuable. So there is no reason why a large share of the new residential space we create through adding density should not be affordable. Community-oriented, non-market housing and alternative housing forms, including co-operatives and co-housing, should be at the heart of this build-out.

The term “affordable” is contested but usually defined relative to income. For our purposes, affordable rental housing costs 50–80 per cent of median market rent, recognizing that households with very low incomes would also need some form of additional public subsidy. Affordable ownership options could also be in the range of 50–80 per cent of median market value but would include alternative land tenure arrangements such as a covenant restricting resale value. A process of means testing would be needed to determine eligibility.

Affordability can also mean being able to forgo car ownership and have lower energy costs at home. More people will inevitably be coming to Metro Vancouver, and that growth can be used to rebuild the city with affordability, accessibility, equity, and climate and environmental objectives in mind. Upzoning also needs to be part of broader planning for a region that is zero carbon and climate resilient, so that new housing arrives with public investments in transit and amenities that help form complete communities, including health care services for an aging population, child care, libraries and community centres.

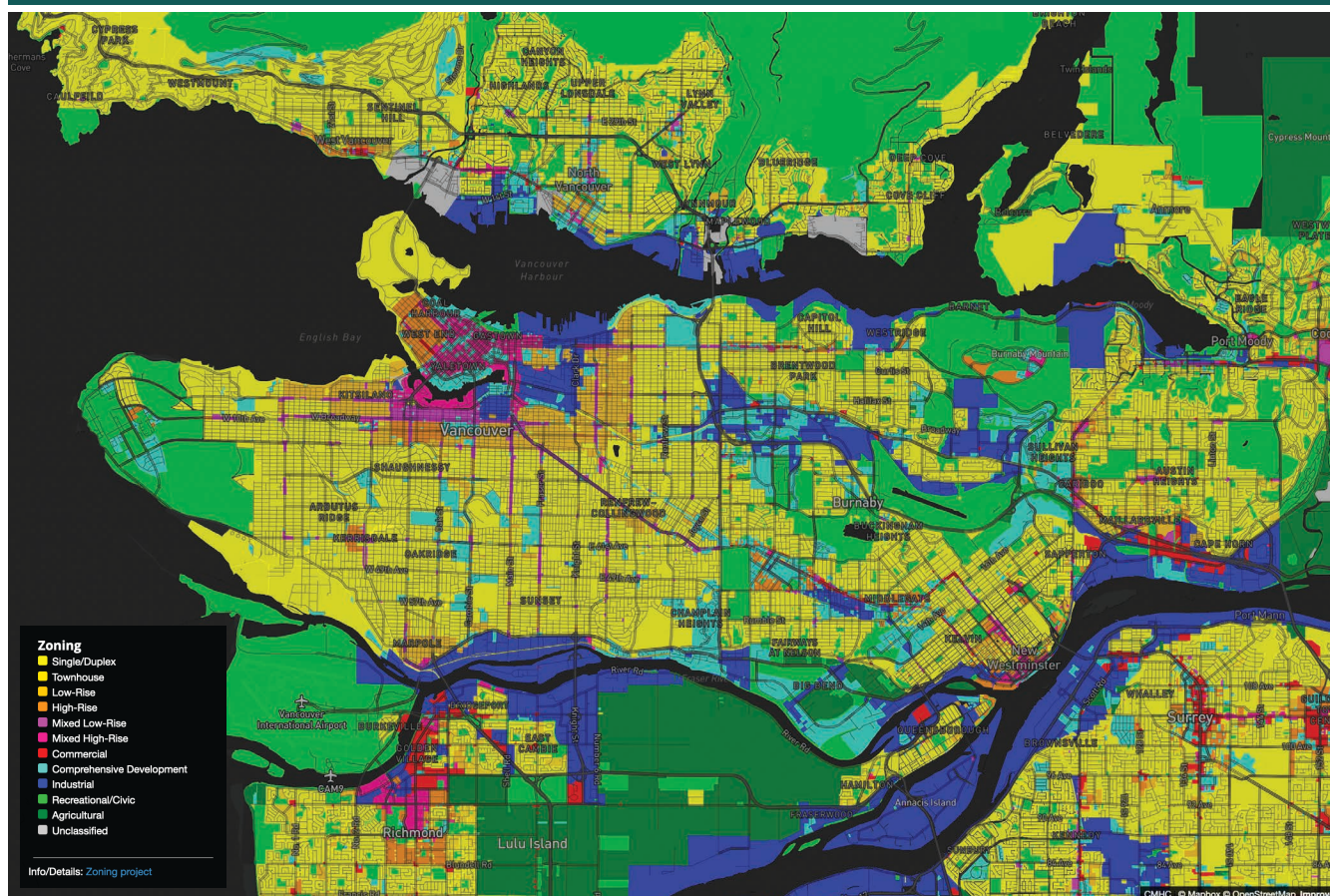
Affordability can also mean being able to forgo car ownership and have lower energy costs at home.

1. Open up detached housing zones broadly across the region

In recent decades, new housing development in Metro Vancouver has followed what former Vancouver city councillor Gordon Price calls the “Grand Bargain,” a political compromise where most of Vancouver’s higher-density housing has been built on former industrial land, at major transit hubs and along arterial roads.⁷ These developments typically involve rezoning the land

⁷ Gordon Price, “The Grand Bargain—Illustrated,” *Viewpoint Vancouver* (formerly *Price Tags*), October 17, 2019, <https://pricetags.ca/2019/10/17/the-grand-bargain-illustrated/>.

Figure 2: Land use zones in Metro Vancouver, 2021



Source: Jens von Bergmann and Nathanael Lauster, Metro Vancouver Zoning Maps, UBC Sociology Zoning Project, accessed December 4, 2021, <https://zoning.sociology.ubc.ca/>. Reprinted with permission.

to higher-density use and negotiating community amenity contributions to capture some of the increased land value in the form of affordable housing and other community infrastructure.

Over the past couple of decades, the City of Vancouver’s low-density neighbourhoods have witnessed modest changes to allow more “gentle density”: legalization of secondary suites and laneway houses and, most recently, duplexes (but with no change in allowable height or buildable floor space).⁸ In December 2021, the City of Vancouver passed new provisions to allow development of small rental apartments on side streets within a block of main streets.⁹ Upzoning should be extended to all neighbourhoods, including wealthy enclaves like Shaughnessy in the centre of Vancouver. A new Making Home pilot project, launched in January 2022, for 2,000 lots across the city will allow up to six units, although the main design parameters are still to be determined.¹⁰

8 For a look at recent upzoning policy in the City of Vancouver, see Marc Lee, “Vancouver’s Secured Rental Policy and the Battle over Density,” *Policy Note*, September 28, 2020, <https://www.policynote.ca/secured-rental-policy/>.

9 These developments still require a rezoning process. See Dan Fumano, “Watershed moment’: Vancouver’s council allows more rental housing,” *Vancouver Sun*, December 15, 2021, <https://vancouversun.com/news/local-news/dan-fumano-vancouver-council-housing-decision>.

10 Kenneth Chan, “Mayor’s gentle density housing plan approved by Vancouver City Council,” *Daily Hive*, Jan 27, 2022, <https://dailyhive.com/vancouver/making-home-vancouver-kennedy-stewart-motion-approved>.

Low-density residential zones also dominate the regional map, the bright yellow areas in Figure 2, showing that there are ample opportunities to open up the region’s detached housing neighbourhoods. Ideally, these new developments would reinforce local shopping areas. More density could be added right next to schools, libraries, community centres and parks across the region. Some redevelopments could include those public services as anchor tenants to maximize the use of publicly owned land.

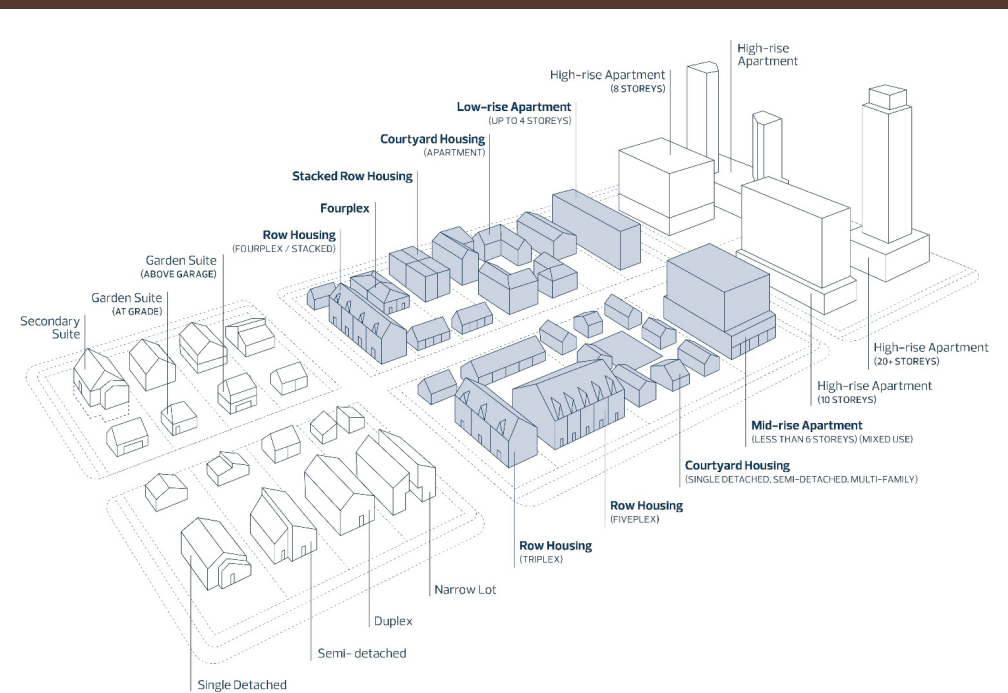
Putting upzoning into practice means rewriting the zoning schedules of the city to permit medium-density residential development without the need to go through a rezoning process, which can be cumbersome and highly politicized to the benefit of existing landowners. New zoning regulations would set out the main parameters for which buildings can be built without needing approval from a city council. They could also allow streamlined “over-the-counter” approvals for buildings based on certain pre-determined blueprints or templates (for example, modern multi-unit variations of the much-replicated Vancouver Special house design of the 1960s and 1970s).

2. Focus on missing middle housing types

Upzoning detached housing neighbourhoods for higher density will undoubtedly face some opposition from existing landowners. Current rezoning approval processes amplify the voices of homeowners seeking to maintain the aesthetic character of their neighbourhoods, while leaving out those who could live in proposed new housing and may be priced out or unable to

Current rezoning approval processes amplify the voices of homeowners seeking to maintain the aesthetic character of their neighbourhoods, while leaving out those who could live in proposed new housing and may be priced out or unable to find an available home in the area.

Figure 3: Missing middle housing types



Source: Elsa Lam, “Editorial: Finding the Missing Middle,” *Canadian Architect*, September 5, 2019, <https://www.canadianarchitect.com/editorial-finding-the-missing-middle/>. Image courtesy of City of Edmonton via *Canadian Architect* magazine (see also https://www.edmonton.ca/city_government/urban_planning_and_design/missing-middle-housing).

Figure 4: An example of housing redevelopment in Vancouver from the Urbanarium’s Missing Middle Competition
Top photo is current condition; bottom is reimagined



There is a high demand for more options for non-wealthy households to buy or rent in quiet residential neighbourhoods.

Source: COLUMBA and the respective team members and the Vancouver Urbanarium Society’s Missing Middle Competition. Reprinted with permission.

find an available home in the area. This means detached-housing neighbourhoods exclude all but the wealthiest.

Missing middle forms—from row housing and multiplexes to small apartments (Figure 3)—offer a compromise. A 2020 poll showed that a majority of respondents support zoning changes to allow six units on a standard lot.¹¹ There is a high demand for more options for non-wealthy households

¹¹ Michael Anderson, “Poll: Re-Legalizing Sixplexes Is Popular, Actually,” Sightlines Institute, November 24, 2020, <https://www.sightline.org/2020/11/24/poll-re-legalizing-sixplexes-is-popular-actually/>.

to buy or rent in quiet residential neighbourhoods, whereas current housing options that are less costly than a detached home are often confined to busy (noisy and polluted) main streets.

Missing middle housing is also valuable in the context of a climate emergency. Low- to mid-rise buildings hit a sweet spot with their lower construction costs and the reduced embodied carbon emissions from using wood-frame construction. More units sharing walls means better energy performance and more efficient use of infrastructure. Shifting to higher-density, complete communities also reduces the need to own a car, with more trips to work, shops, public services and other amenities possible on foot, bike or transit.

The Urbanarium’s Missing Middle Competition showed new housing forms that add density in creative ways without being vastly out of scale with the existing neighbourhood (Figure 4).¹² The South Granville, Kitsilano, Mount Pleasant and Grandview neighbourhoods in the City of Vancouver are indicative of the built form that could be achieved more broadly through upzoning.¹³ These communities currently have many examples of ground-oriented, medium-density housing, including converted historical buildings, row housing and small apartments.

Upzoning to missing middle ranges means an increase in the maximum floor space ratio (FSR)—the maximum permitted buildable square footage divided by the area of the lot—to between 1.5 and 2.0. This is double to triple the density of the current detached housing zoning (0.7–0.8 FSR).¹⁴ To accommodate the additional density, more efficient use of the site could include loosening the rules on setbacks from the street, the number of buildings permitted and modest increases in the height of buildings.

Some land assembly—such as up to 100 feet or three standard lots—would be allowed, but the focus would be more on single-lot development led by individual homeowners and/or non-profits than on large projects. At higher FSR, projects shift from being ground-oriented (accessible to the street without need of an elevator) because more building space is required for common areas, hallways and elevators. Requirements for a minimum number of parking spaces would be abolished and left to the discretion of the builder.

In addition to the above, neighbourhoods could be punctuated with some taller buildings. For example, small apartment buildings (mid-rise up to 3.0 FSR) could be built on corner lots or even mid-block with the requirement that they be used for more affordable housing units. Alternatively, the city might target a certain amount of extra density for each neighbourhood and allocate it by auction for market projects or grant it to improve the economics of non-market projects.

Upzoning should also discourage existing detached housing from being redeveloped into *new* detached housing. Such redevelopments would be downzoned from the current 0.7 FSR to 0.4–0.5 FSR. In other words, to build another detached house on the property, the owner/developer would need to pay for increases up to the previous 0.7 FSR. The proceeds would go

Missing middle housing is also valuable in the context of a climate emergency.

12 The Urbanarium, “The Missing Middle Competition (Completed),” accessed June 10, 2021, <https://urbanarium.org/missing-middle-competition-completed>. See also Vancouver Urbanarium Society, *The Missing Middle Competition: A Smart Cities Publication* (Vancouver: Vancouver Urbanarium Society, 2020), P19-1658_200102_Urbanarium_Publication_Edit1_singles_Full_MR.pdf.

13 The current zoning in these neighbourhoods is RM-3 (South Granville) and RM-4 (Kitsilano, Mount Pleasant and parts of Grandview), which allows up to a floor space ratio of 3.0 for mixed income (“social housing”) projects if approved by the director of planning (as opposed to City Council). Some of the older, more dense buildings in these areas pre-date the current zoning schedule.

14 The RS-1 zoning for detached housing is typically a maximum of 0.7 FSR and up to 0.84 FSR with an accessory dwelling like a laneway or coach house. Row housing would be around 1.4 FSR, a low-rise (up to four-storey) apartment building around 2.0 FSR and a mid-rise building on a major street about 3.0 FSR.

toward affordable housing elsewhere.¹⁵ Allowing less buildable square footage for such redevelopments would further encourage more dense development. Progressive property taxation policies (described below) would also reinforce these incentives.

3. Ensure market development contributes to affordable housing

Allowing more density creates land values at the stroke of a pen. A challenge for upzoning detached housing neighbourhoods is that it could lead to even further land price inflation. This would undermine the potential gains from increased density, delivering windfall gains to existing landowners. Developers will bid up the price of land if there is a gap between the value of newly developed higher density and the cost of building it plus buying the property.

Local governments use the tools of inclusionary zoning, density bonusing and community amenity contributions to ensure that new density contributes cash or in-kind contributions to the public good. To ensure benefits from upzoning, between one-third to one-half of the incremental density added should be designated as permanently affordable for market developments.¹⁶ These affordable units could be strata units where the resale value is capped by a covenant, a unit purchased as part of a community land trust, or designated rental units managed by the owner, a co-op or a non-profit.

Alternatively, a purely market development would pay an affordable housing levy (in lieu of a community amenity contribution). The parameters for such a levy would need to be determined but could be in the range of \$200 to \$400 per upzoned square foot (sq ft)¹⁷ on market developments. The levy would be waived for purpose-built rental buildings, owner-builder units with an affordability covenant, and community land trusts. The right amount would depend on the area, due to the range in land prices, but the key idea is that the amount would be high enough to create an incentive to build affordability directly into projects.

The City of Vancouver's new Making Home pilot program, passed in January 2022, envisions a similar development trade-off. New projects would either build in some dedicated affordable housing or would pay a fee that would support affordable housing elsewhere. While details are still to be determined, this framework is intended to limit land price escalation and speculation.

For example, redeveloping a detached house on a standard lot valued at \$1.5 million into 6,000 square feet of new space would cost another \$3 million in hard and soft construction costs and financing for a total of \$4.5 million.¹⁸ At market rates of between \$1,000 to \$1,300 per square foot, the newly built housing (six to eight dwellings) would be worth \$5.7 to \$7.4 million.¹⁹ These large expected profits would drive up the price of the land, although broad-based upzoning

To ensure benefits from upzoning, between one-third to one-half of the incremental density added should be designated as permanently affordable for market developments.

15 Inspiration here from Bryn Davidson, "Small Lot, Citywide, Conditional Upzone," Dynamic Cities Project, <http://dynamiccities.org/rs-conditional-upzone>. He proposes conditional upzoning across the City of Vancouver, although at a more modest 1.2 FSR.

16 The share of units and how affordable they are would need to be further refined and could change based on the neighbourhood.

17 That is, paid only on the additional density built above the current zoning of 0.7 FSR.

18 These estimates are based on hard construction costs of \$350 per square foot and other soft costs of \$105 per square foot. They assume 95 per cent efficiency of floor space (netting out any common area) for small-lot development. They also assume financing of \$3 million at 3 per cent for three years, with the remainder provided by the developer as equity.

19 Market values are based on net square foot, but construction costs are based on gross square foot. So only 5,700 sq ft out of a 6,000 sq ft development can be sold, if 5 per cent of built area is common space (95 per cent efficiency).

across the city would diminish these pressures as much more land would be available for potential development.

Thus, the city could reasonably require that two to three units of the six to eight built be sold at a reduced price (attached to a covenant that limits gains on resale) and the remaining units could be sold at market price.²⁰ Alternatively, an affordable housing contribution (AHC) of between \$200 to \$400 per upzoned square foot would raise between \$640,000 and \$1.28 million to fund affordable units elsewhere.

The AHC levy would help to keep a lid on land prices, as we are already seeing speculative pressures from anticipated upzoning in the City of Vancouver. A total \$5.7 million market value (at \$1,000 per square foot) could absorb the cost of the AHC and still be profitable (and could also sell at a higher price per square foot). The exact parameters would need to evolve to ensure that the economics work for different scenarios of redevelopment and land costs across the region.

An interesting case could be for owner-builder “aging in place” redevelopments, where an older household owns the property outright, wants to downsize but stay on their land and potentially create housing for other families. They could, for example, contribute the land and work with a developer for construction. They would get back one of the units to live in, while selling two to three units at market rate to cover their construction costs. They could then rent three or four units to family members or other renters at a below-market break-even rent. Or they could sell all the units besides theirs at a lower price protected by covenant.²¹

4. Support non-market development

Non-profit housing developers, whose mission is to create more affordable housing, can build dedicated units at much more affordable break-even rents (that pay back upfront costs and ongoing operating costs/maintenance over a 50-year period). The predominant housing delivery system, which relies on for-profit developers and large developments with land assembly, makes it hard for non-profits to compete to buy land.

A non-profit model would be able to deliver rents that are much lower than current market rents.

At reasonable land prices, non-profit development can deliver genuinely affordable rental housing. Figure 5 estimates non-profit break-even rents²² for standard one-bedroom units (600 sq ft), two-bedroom units (900 sq ft) and three-bedroom units (1,200 sq ft) on contributed land and at three levels of land cost (\$1 million, \$1.6 million, \$2.4 million):

- At 1.5 FSR, the break-even rent for a one-bedroom unit is \$1,209 per month for contributed land, rising to \$1,473 per month for property costing \$1 million, and \$1,631 and \$1,842 per month for parcels costing \$1.6 million and \$2.4 million respectively.²³

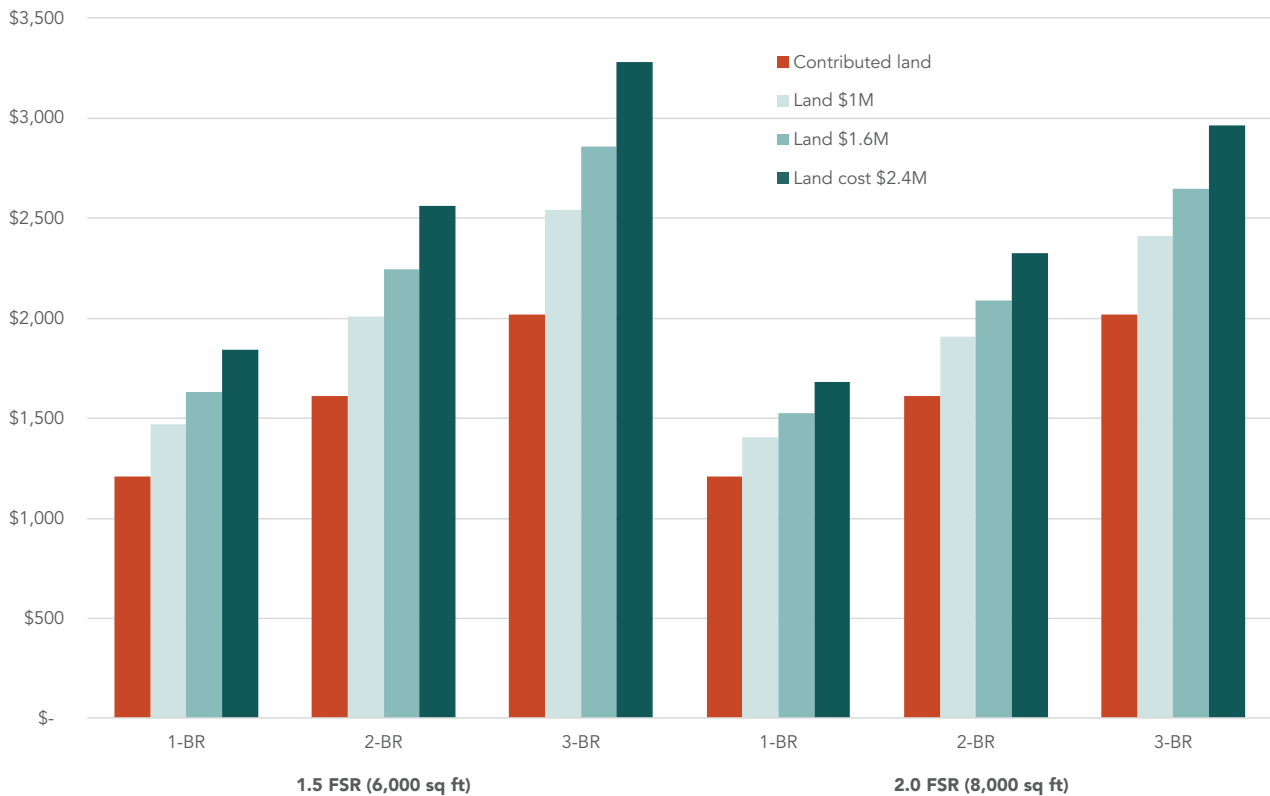
20 Some form of means testing by income or other criteria would need to be brought in to determine who is able to access the affordable units.

21 Covenants are described under section 219 of the province’s Land Title Act. Government of British Columbia, Land Title Act, RSBC 1996, c. 250, s. 219, https://www.bclaws.gov.bc.ca/civix/document/id/complete/statreg/96250_15.

22 Break-even monthly rent over 50 years covers the upfront costs of purchase, construction and financing plus a \$450 per month operating and maintenance charge.

23 These break-even rents are somewhat lower than estimated in *How to Build Affordable Rental Housing in Vancouver*. Although increased construction costs (\$350 per square foot compared with \$320 before) are factored in, because we are building ground-oriented housing on small lots with 95 per cent efficiency of use (no shared hallways or common areas), the break-even rent is lower relative to the previous case which looked at mid-rise buildings at 80 per cent efficiency. See Lee, *How to Build Affordable Rental Housing*, 2021.

Figure 5: Estimated break-even monthly rents for 1-bedroom, 2-bedroom and 3-bedroom units in a non-profit redevelopment of a standard 33-foot detached housing lot in Vancouver



Source: Housing data from Statistics Canada. Table 34-10-0134-01 Canada Mortgage and Housing Corporation, housing starts, under construction and completions in selected census metropolitan areas, annual, <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3410013401>. Population data from Macrotrends United Nations dataset. Vancouver, Canada Metro Area Population, 1950-2021. Original Source: United Nations - World Population Prospects, www.macrotrends.net.

By allowing for density that builds livable neighbourhoods and creates greater affordability, we can help dismantle the conflict that often emerges for density in the form of large towers.

- At 2.0 FSR (8,000 sq ft), lower break-even rents are possible by spreading the land cost over more units: \$1,407 per month for a one-bedroom with land costing \$1 million, \$1,525 and \$1,684 for land costing \$1.6 million and \$2.4 million respectively.
- At 3.0 FSR (12,000 sq ft, not shown), break-even rents would decline even further but would be partially offset by additional costs for land assembly and a greater need for common areas, like lobbies, hallways, elevators and parking.

A non-profit model would be able to deliver rents that are much lower than current market rents, which range from \$1,800 to \$2,400 per month for a one-bedroom unit (and even higher for newly built or renovated housing).²⁴ If we consider rents at 50–80 per cent of the median \$2,200 market rent, a one-bedroom unit would cost \$1,100 to \$1,760 per month. The ability to deliver lower rents shrinks as land costs rise, and in one case (a one-bedroom unit at 1.5 FSR and high land costs) the break-even rent is close to market rent. Thus, the non-profit model can deliver

²⁴ For vacant apartments, not for occupied rental properties, based on rents per square foot via Rentals.ca. The median rent of \$2,200 per month for a one-bedroom unit in Vancouver is from November 2021. See Rentals.ca, “National Rent Rankings,” November 2021, <https://rentals.ca/national-rent-report>.

average rents in the affordable range, and across a whole development could include even lower rents for some units if they are cross-subsidized by others paying market rent.

In general, the higher the density that is allowed for non-profit developments on a given piece of land, the more dedicated affordable units can be created and the lower the break-even rents that can be achieved. Since permitting density is a public power, this underlying land value can be unlocked for non-market housing. Put another way, each potential floor of a non-market apartment building left unbuilt represents affordable homes lost. By allowing for density that builds livable neighbourhoods and creates greater affordability, we can help dismantle the conflict that often emerges for density in the form of large towers.

Two recent examples of upzoning aimed at spurring non-market affordable development are worth mentioning. Portland, Oregon's Residential Infill Project allows triplexes and fourplexes to be developed on single-family detached lots city-wide and removes parking mandates from three-quarters of residential land.²⁵ A "deeper affordability bonus" allows up to six units if half or more of the new units are regulated and affordable, a provision aimed at spurring non-profit construction. The 100%-Affordable Housing Overlay in Cambridge, Massachusetts, is a city-wide housing policy that allows apartments of up to four storeys in all neighborhoods, based on a model where 20 per cent of the units are affordable at median income and 80 per cent of the units are affordable up to 80 per cent of median income.²⁶

These examples represent relatively new policy approaches as each city addresses its own housing affordability issues. Time will tell how much uptake these cities will get in terms of new development. These cases are also not perfectly comparable in light of Vancouver's faster population growth.

Affordable rental units should be shielded from redevelopment and could be supported long term through a public-led strategy aimed at having non-profits acquire this older rental stock.

5. A robust system of renter protections

Upzoning and redevelopment have significant potential to displace people in existing secondary suites, many of whom will not be able to afford a rent increase. Renter households have seen no benefit from rising home prices, and many are experiencing greater housing insecurity due to low vacancy rates, rising rents and renovations/demovictions. The limited amount of new rental housing in the region has often been concentrated on busy, noisy and polluted arterial streets.²⁷

The upzoning described in the previous sections emphasizes detached housing areas of the region and deliberately excludes existing rental apartments, such as three- or four-storey walk-ups. These affordable rental units should be shielded from redevelopment and could be supported long term through a public-led strategy aimed at having non-profits acquire this older rental stock.²⁸

25 Unlike duplexes in Vancouver, which maintain the same buildable square area per lot, Portland allows larger square footage for duplexes, triplexes and fourplexes. See City of Portland, "Residential Infill Project Summary: Recommended Draft," accessed December 14, 2021, https://www.portland.gov/sites/default/files/2019-12/8-pager_recommended_draft_8.5x11_updated_090519.pdf.

26 City of Cambridge, *Design Guidelines for Affordable Housing Overlay* (Cambridge: Community Development Department, July 28, 2020), https://www.cambridgema.gov/-/media/Files/CDD/Housing/Overlay/zngamend_aho_designguidelines_20200728v2.pdf and ORDINANCE NO. 2020-8 – First Publication, <https://www.cambridgema.gov/-/media/Files/CDD/Housing/Overlay/adoptedahordinance.pdf>.

27 Daniel Oleksiuk, "Confining Rental Homes to Busy Roads Is a Devil's Bargain," Sightline Institute, October 19, 2021, <https://www.sightline.org/2021/10/19/confining-rental-homes-to-busy-streets-is-a-devils-bargain/>.

28 Steve Pomeroy, *Augmenting the National Housing Strategy with an Affordable Housing Acquisition Program* (Ottawa: Focus Consulting, June 2020), <https://www.focus-consult.com/wp-content/uploads/Augmenting-the-NHS-with-an-Acquisition-Strategy-June-2020.pdf>.

For tenant protections, the City of Burnaby shows a pathway forward. Renter protections emanated from its Mayor's Task Force on Community Housing²⁹ and were supported by developers. Key aspects of this approach could be implemented to include affected renters in secondary suites:

- Right of first refusal for a replacement unit after a demolition and the opportunity for tenants to return to their replacement unit at the same rent as their demolished one.
- Moving assistance for displaced tenants and temporary accommodation at swing sites and/or a rent top-up to bridge the difference between current and temporary rent.
- The option of a buyout for displaced renters in lieu of temporary housing and other provisions.

Renters also benefit from new housing supply, which can prevent rents from rising further. A failure to build new housing can cause renters to be displaced because of gentrification and higher-income households outbidding others for rental housing. As can be seen in the huge price increases and demographic shifts in detached housing areas, gentrification and displacement also happen in the absence of upzoning.

²⁹ City of Burnaby, *Mayor's Task Force on Community Housing: Final Report*, July 17, 2019, <https://www.burnaby.ca/our-city/meetings-and-public-hearings/committees-commissions-and-boards/mayors-task-force-on-community-housing>.

Complementary policies and support from the BC government

AT THE MUNICIPAL LEVEL, HYPER-LOCAL POLITICS have stifled housing development to the benefit of existing landowners and for-profit developers. Municipal governments seem mired in extensive public hearings for every multi-unit project, typically requiring approval by council through a rezoning. Neighbourhoods should have a voice but not a veto over new affordable housing, which has benefits much more broadly for the long-term health and prosperity of the region.

The BC government should step in to break this impasse while driving toward a vision of affordable and zero-carbon housing for the future. The provincial government has both the fiscal and regulatory powers to support a major build-out of affordable housing, including non-market housing, through BC Housing.

The provincial government has both the fiscal and regulatory powers to support a major build-out of affordable housing, including non-market housing.

Zoning mandates

There are signs that the BC government may be willing to step in and support more broad-based upzoning.³⁰ Getting the province to shoulder some of that policy burden would enhance housing zoning and permitting reforms that seem orphaned at the municipal level.

Section 7 of the provincial Environment and Land Use Act gives the BC government the power by Order-in-Council to rezone any land anywhere in BC for any reason.³¹ By acting at a higher level, the BC government can ensure a coherent framework applies across the region while mitigating adverse impacts and channelling new housing growth away from existing rental housing.

30 Frances Bula, "Push-Me-Pull-You: Local and Provincial Tensions in BC Housing Policy," Sightline Institute, May 10, 2021, <https://www.sightline.org/2021/05/10/push-me-pull-you-local-and-provincial-tensions-in-bc-housing-policy/>.

31 A tip of the hat to Paul Finch for pointing this out. See Government of BC, Environment and Land Use Act, RSBC 1996, c. 117, s. 7, https://www.bclaws.gov.bc.ca/civix/document/id/complete/statreg/96117_01#section7.

New Zealand is an interesting case of such change. The New Zealand government recently passed legislation that requires local councils to allow up to three homes, up to three storeys high, on all lots. The move is a response to growing housing unaffordability by allowing more homes built closer to city centres. According to New Zealand’s Housing Minister, “These changes address the overly restrictive planning rules that limit the types of homes people can build and where they can build them.”³²

Public land

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. Land could be granted to a non-profit developer on a long-term lease, or even to a for-profit developer who agrees to build to affordable housing specifications.

We need a strategy to purchase more public land for an affordable housing build-out and a more coherent land banking/assembly system.

In addition to using existing public lands, we need a strategy to purchase more public land for an affordable housing build-out and a more coherent land banking/assembly system. The city of Montréal recently passed a policy giving it the right of first refusal to purchase properties put up for sale, with the goal of building more affordable social housing.³³ These powers were the result of a bill passed by the National Assembly of Québec in 2016 that gave Montréal new powers over economic, social and cultural development.³⁴ The bill also gave the city the right to expropriate neglected properties.

The BC government could step in with a strategy aimed at acquiring new public lands for the development of affordable housing by non-profits. The BC Assets and Land Corporation (re-named Land and Water BC Inc.³⁵) is a historical example, although in its later years its activities were largely around selling land. Federally, the Canada Lands Company is a Crown corporation specializing in real estate and development, and it is a partner with the Musqueam, Squamish and Tsleil-Waututh First Nations on the Jericho Lands development on Vancouver’s west side.³⁶

Public land could be used for alternative tenure arrangements, like community land trusts (CLTs), in which land is held by a non-profit entity for long-term social and environmental benefit. Land can then be leased to owners of individual homes. Legal protections in CLTs can restrict resale prices or require units to be resold to the CLT based on a pre-determined formula.³⁷

A distinct, BC-based community land trust also exists, created by the Co-operative Housing Federation of BC to hold and manage land in the long term for non-market and co-op rental housing. It currently

32 Henry Cooke, “Sweeping townhouse bill passes into law with support of Labour and National, will force councils to allow more homes,” Stuff, December 14, 2021, <https://www.stuff.co.nz/national/politics/300478047/sweeping-townhouse-bill-passes-into-law-with-support-of-labour-and-national-will-force-councils-to-allow-more-homes>.

33 Isaac Olson, “City of Montreal to Exercise Right of First Refusal to Turn Properties for Sale into Social Housing,” CBC News, February 17, 2020, <https://www.cbc.ca/amp/1.5466347>.

34 “Quebec Proposes Greater Autonomy, Grants Metropolis Status for Montreal,” CBC News, December 8, 2016, <https://www.cbc.ca/news/canada/montreal/quebec-proposes-greater-autonomy-grants-metropolis-status-for-montreal-1.3888329>.

35 BC Archives, “British Columbia Assets and Land Corporation,” <https://search-bcarchives.royalbcmuseum.bc.ca/british-columbia-assets-and-land-corporation>.

36 Justin McElroy, “Jericho Lands Proposal Includes New Homes for Up to 18,000 People in Vancouver’s West Side,” CBC News, October 19, 2021, <https://www.cbc.ca/amp/1.6215923>.

37 Louise Crabtree et al., *Principles and Practices of an Affordable Housing Community Land Trust Model*, Australian Housing and Urban Research Institute, January 2012, https://www.ahuri.edu.au/sites/default/files/migration/documents/AHURI_Research_Paper_Principles-and-practices-of-an-affordable-housing-community-land-trust-model.pdf.

has a portfolio of 2,600 homes across BC.³⁸ A case study of a CLT partnership with the City of Vancouver in 2012 found that “the Land Trust may provide a model for non-profits, co-ops, municipalities and other actors to leverage under-developed land that is already owned by the community or municipalities for affordable housing without ongoing government subsidies.”³⁹ In the Vancouver case, BC Housing is a notable equity partner, having purchased some of the units that are operated by non-profit partners.

Progressive property taxation

The BC government could also empower municipalities to modify property taxation to better meet local needs. For example, more progressive brackets, emulating the brackets added to the provincial property tax in 2018, could aim tax increases at the wealthiest while furthering incentives for more dense development or stratification of existing buildings. Shifting property taxes from structures to land (i.e., allowing for differential tax rates on land and structures) would also reinforce incentives for more dense development. In the City of Vancouver, most of the assessed value of one- and two-family dwellings is already land, but for new multi-unit buildings a much larger share is tax on the building/structure itself.

By shifting to the more progressive tax options above, local governments could place far less emphasis on development charges and community amenity contributions as a source of revenue. These latter charges are most problematic when they put the cost of new infrastructure that benefits all residents on new development. As noted above, additional value created by upzoning should be captured through an affordable housing levy applied on pure market developments. This levy should be waived for non-market developments or market developments that contribute a minimum amount of new affordable housing supply.

Fair taxation of property wealth, and in particular windfall gains, thus goes straight to the heart of the affordability crisis. Shifting to a more progressive system of property taxation has the potential to reduce this growing gap by keeping a lid on land price increases, or even driving down these prices. The housing system is shaped by taxes and regulations, so we need to consider the role of property taxes as well as reforms to the tax treatment of property wealth to:

- make the property tax system more fair to renters;
- reduce wealth inequality and improve the overall equity of the tax system;
- provide incentives for more dense developments and rental construction;
- curb speculative investment that drives up land prices; and
- raise revenues to help finance the acquisition of land for the build-out.

Taxing land-value windfalls would be a fair revenue source to buy more public land that is turned over for new non-market affordable housing development. Land value is created collectively. This value reflects what makes a location useful and attractive to people, including significant public investments in infrastructure and services for transportation, water, sewer and electricity, as well as amenities like parks, community centres and libraries. This approach would also reduce wealth inequality and ensure that a portion of windfall gains from home ownership help to support an affordable housing agenda.

Fair taxation of property wealth, and in particular windfall gains, goes straight to the heart of the affordability crisis.

38 Community Land Trust, “Our History,” accessed December 12, 2021, <https://www.cltrust.ca/about/history/>.

39 Kristin Patten, *Vancouver Community Land Trust Foundation: Examining A Model for Long-Term Housing Affordability*, UBC School of Community and Regional Planning, April 2015, 3, https://newmarketfunds.ca/wp-content/uploads/2018/04/VCLT_Case_Study_April_2015.pdf.

Conclusion: Affordable housing in a warming world

Upzoning should occur in the context of a more regulated market that puts housing needs first, not profits for developers or rental income for investors.

IT'S TIME TO BUILD THE HOUSING WE NEED FOR THE FUTURE. Recognizing that decisions made now will have an impact for many decades down the road, it's imperative that we aggressively build affordable higher-density and climate-friendly housing set in more complete communities. The region's population will continue to increase over the coming decades. Vancouver is relatively secure and prosperous, and notwithstanding recent extreme weather events, is well positioned to be a safe haven in a warming world where disruptive climate change (from extreme weather events to longer-term droughts and sea-level rise) induces migration.

The challenges described above are not just a Vancouver phenomenon. They reflect dynamics playing out along the West Coast and across the major cities of North America. In high-demand locales where population and economic growth are putting pressure on affordable housing, upzoning has been put on the policy agenda. Upzoning should occur in the context of a more regulated market that puts housing needs first, not profits for developers or rental income for investors.

Upzoning is not the only answer to our housing woes but, in concert with other policies, it should be a central plank for affordable housing development in the region. This paper has attempted to bridge the divide between many groups active on housing issues, with a view toward expanding the housing options available to younger, less affluent renters who feel shut out from most of the city.



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