



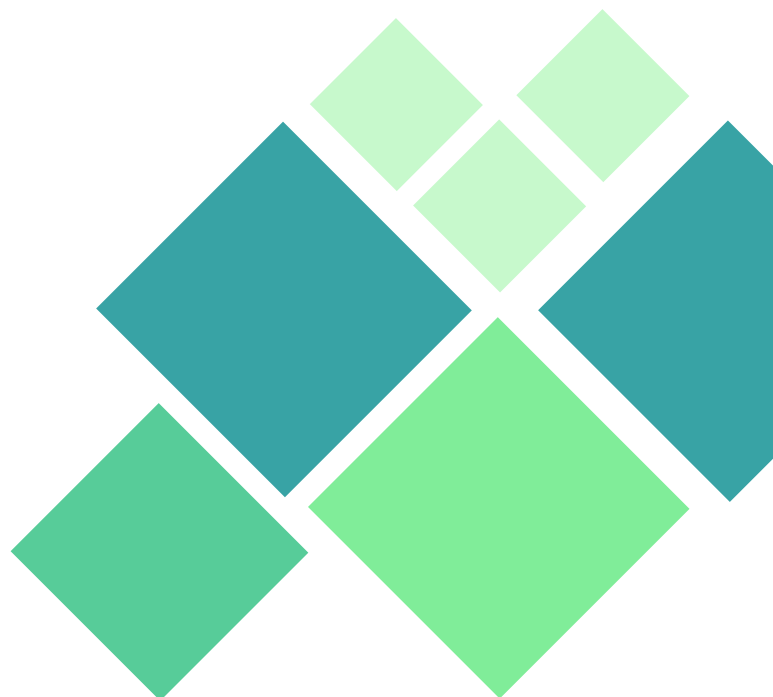
By Justin Achadinha,
Anandjot Hothi and
Sonia Dosanjh

Assessing Vancouver's Housing Crisis: The Role of Non-Market Housing in Supporting the Middle Class



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SDA Capstone project

Overview



It's no secret that Vancouver is facing an affordability crisis in the rental market, with rental prices now outpacing income growth, making it a challenge for residents to afford rent (Canada Mortgage and Housing Corporation, 2014). Despite various solutions proposed by residents and policymakers, such as the vacancy tax or provincial rent caps, there still seems to be a struggle for the everyday working person to afford rent in the city. This becomes especially concerning when essential workers such as teachers, nurses, and police officers are struggling to afford housing. It begs the question: if the middle class are struggling to afford rent and are dedicating a significant portion of their income towards it, who will be left to take care of the city of Vancouver and what are the long-term consequences for the city's stability and growth?

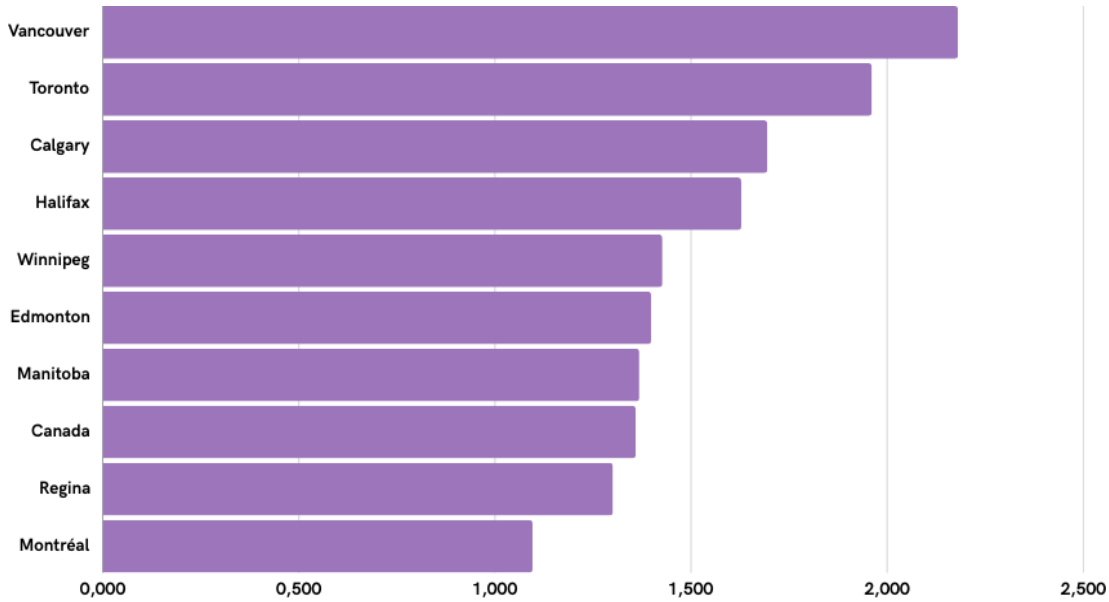
Our answer lies in the focus on the construction of Non-Market Housing. Non-Market Housing, otherwise known as social housing, offers subsidized housing aimed at providing rental units at income-restricted rates in British Columbia. This option offers stability and security to individuals and families facing housing insecurity.

What is Non-Market Housing?

Non-Market Housing refers to housing that is not subject to typical market forces, such as supply and demand dynamics. Instead, it is often subsidized or provided by government agencies, non-profit organizations, or cooperatives to ensure affordability, primarily for low-income individuals and families. Non-Market Housing initiatives aim to address housing affordability challenges by offering rental units at below-market rates or through alternative models like rent-g geared-to-income or income-restricted housing. In British Columbia, subsidized housing is subject to 30% of a household's total gross income before taxes for rent.

Vancouver Versus Other Canadian Cities

Average Monthly Rent for 2-Bedroom Apartment



Source: CMHC Housing Supply Report 2024

Before delving further into the concept of Non-Market Housing, it's crucial to grasp the dynamics of the rental market in Vancouver. According to the Canadian Mortgage and Housing Corporation (CMHC) their housing supply report for 2024, in October 2023, the average rent for a 2-bedroom apartment in Vancouver stood at \$2,181, notably higher than Toronto's other big expensive cities like Vancouver stood at \$1,961. Among Canada's 10 major cities, Vancouver boasts the highest rental prices of that same period.

Vacancy Rates in 10 major cities across Canada



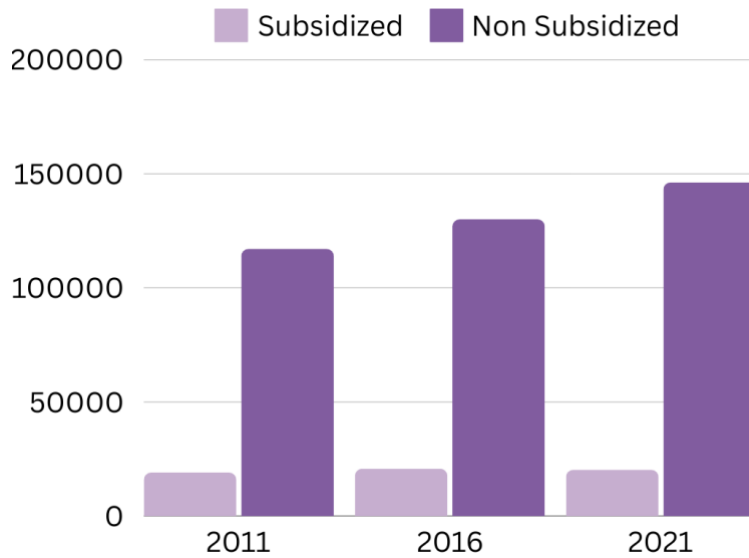
Source: CMHC Housing Supply Report 2024

Furthermore, Vancouver's vacancy rate sits at a mere 0.9%, while Toronto's is at 1.6%. This significant disparity in vacancy rates underscores the high demand for rental properties in Vancouver, indicating a pronounced imbalance between supply and demand.

In addition, the exceptionally low vacancy rate in Vancouver contributes to landlords' ability to set rent prices at such high levels. With a limited number of available units relative to the high demand from prospective renters, landlords wield considerable leverage in determining rental rates. In essence, the situation boils down to a classic case of supply and demand issues. Where the scarcity of rental housing options in Vancouver not only drives up rent prices but also underscores affordability challenges for residents.

The Current Situation in Vancouver

Renter Households

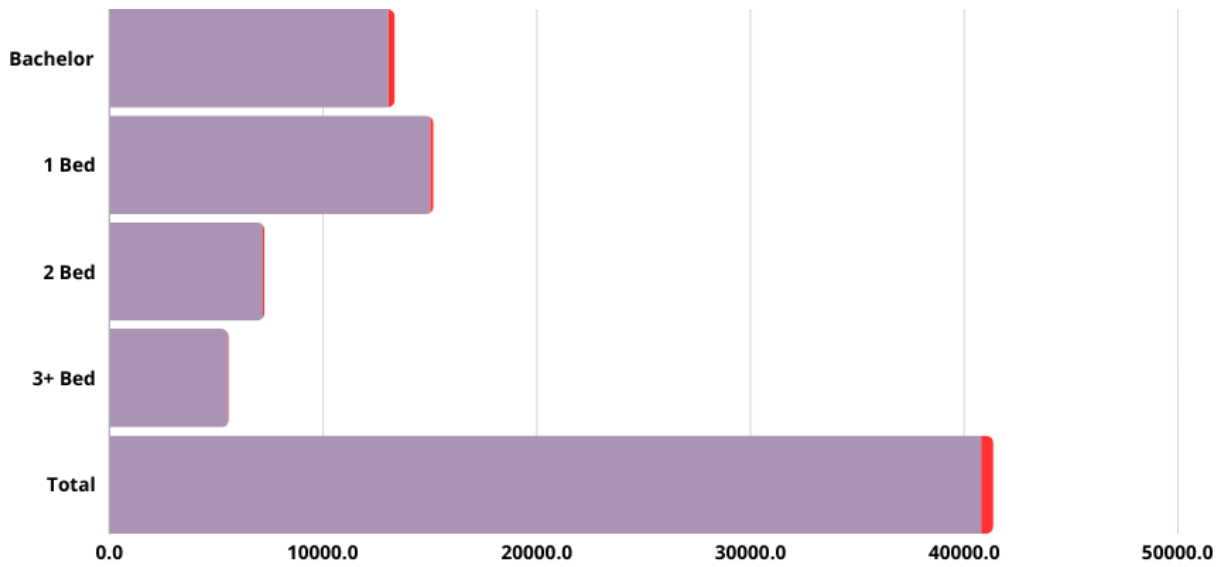


Source: Census 2011, Census 2016, Census 2021

According to the census data above, the number of subsidized housing renter households increased by 10,000 from 2011 to 2016 but experienced a slight decrease of 510 renter households in 2021. However, even with this decrease, there are still people waitlisted for Non-Market Housing, indicating a persistent demand for subsidized housing. In 2023, Vancouver had 24,646 non-market units, comprising 7.5% of all housing. Despite this provision, 5,677 households remain on the waitlist for social housing, highlighting a significant gap between supply and demand (Metro Vancouver Housing Data Book, 2023). According to the (Metro Vancouver Housing Data Book, 2023), there is a need for a 23% increase in the supply of Non-Market Housing to meet current demand from those who are waitlisted.

The Decline of Non-Market Housing

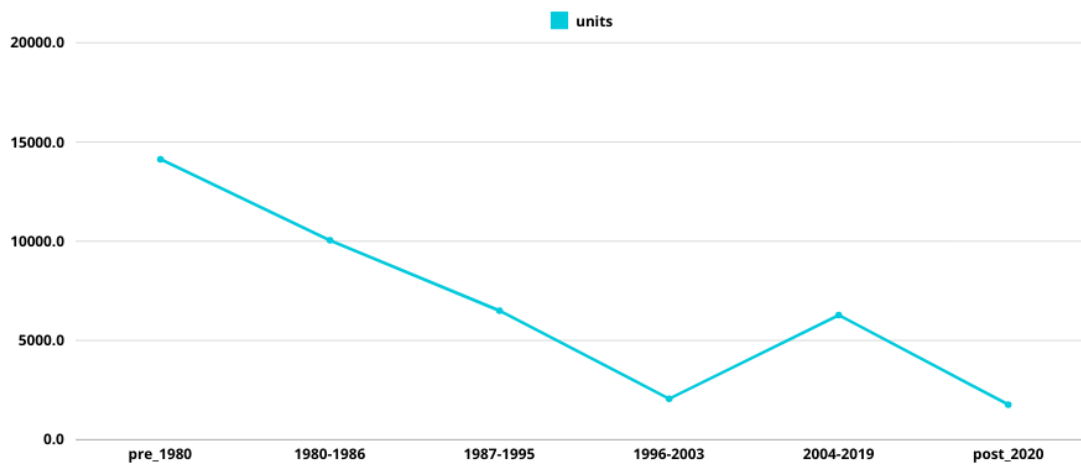
Total Number of Units Based on Unit Type



Source: CMHC Social and Affordable Housing Survey 2023

The graph displayed above showcases that out of 40,789 units in Vancouver, only 576 are vacant. This scarcity is exacerbated by the growing demand Vancouver is experiencing for rental properties.

Number of Units Built Over the Years



Source: CMHC Social and Affordable Housing Survey 2023

Furthermore, the second graph illustrates a concerning trend: a decrease in the construction of Non-Market Housing. Units built pre-1980 were 16,542, while units built from 1996-2019 amounted to 8,342.

In 2017, the City of Vancouver unveiled its ‘10-Year Affordable Housing Delivery and Financial Strategy’, committing to establishing 12,000 units of social and supportive housing, recognizing this as a pressing need (City of Vancouver, 2017). However, as highlighted in the Metro Vancouver Housing Data Book for 2023, there's a substantial 23% increase required in the supply of Non-Market Housing to meet the demand of those waitlisted by 2023, necessitating approximately 5,674 units to be already in place. This indicates a noticeable shortfall in the construction of Non-Market Housing post-2020. Therefore, to fulfill the demand of the 2023 waitlist, roughly 47.28% of the total 12,000 units planned for creation by 2027 must be completed by 2023.

Why Should You Care?

Average Income Distribution After Tax for Jobs in the Lower Mainland



Source: Government of Canada, Job Bank, CBC News, CMHC Social and Affordable Housing Survey, and TurboTax

As it is evident that low-income individuals will have a hard time surviving in this housing climate, the issue is affecting careers that sustain a city. With the average household income before taxes standing at \$96,423 and shrinking to \$79,422 after taxes, many Vancouverites are hovering just above the eligibility threshold for subsidized housing, particularly for larger units like three-bedroom or two-bedroom homes (Vancouver — Household Income - Average and Median (\$), 2021). By looking at the average yearly income after tax, we can see the distribution of income towards rent based on different criteria. The average rental cost for a one-bedroom apartment sits at \$17,857.80 per year, and the current asking price for a one-bedroom apartment totals \$32,198 per year, almost double the average rent cost. When we compare this to the average Non-Market Housing option at \$9,918, the contrast is alarming.

The affordability of housing for workers such as police officers, nurses, and teachers is reaching a critical point. For these professionals, dedicating 30% of their salary to rent barely covers the average cost of a one-bedroom apartment. However, when it comes to the average asking price for rentals, this figure surpasses 30% of the income for nearly all job categories

in our city. This issue is further concerning given the strikingly low vacancy rate of just 0.9%, underscoring the urgent need for action to address housing affordability and availability.

Now, as these may be rough estimates, it is general knowledge that the city is unaffordable for a single income. We understand that individuals also live in households; however, it speaks volumes that a police officer, with an average yearly income of \$71k after tax, cannot afford the current asking price for rent. What are these people going to do if a big portion of their income is going towards housing?

This crisis isn't just about the numbers; it's about the broader implications for our city's future and the well-being of its citizens. Among the endless economic implications, one stands out: low spending power. If most of the money is stuck in the housing market, there's not enough left to support small businesses or create jobs elsewhere. With less money to save, there's no cash for a down payment, unless parents or guardians chip in, which keeps more people stuck at renting. Furthermore, as the cost of living rises, other aspects of what makes a well-knit society take a back seat, like future planning, education, and starting a family.

Homeownership may not be ideal for everyone, yet, many residents of Vancouver want a secure housing situation without the fear of rent increase or being evicted by landlords. The endless grinding away and giving the majority of your paycheck for a roof over your head can be exhausting mentally and physically. While the causes of mental health issues are diverse, Vancouver's high cost of living is a significant contributor for many.

Moreover, with inflation and rising costs, more people will rely on Non-Market Housing as they struggle to keep up with the increasing financial burdens.

In short, this crisis isn't just about crunching numbers; it's about how it affects our city's future and the people living here. To tackle it, we need to address not just housing

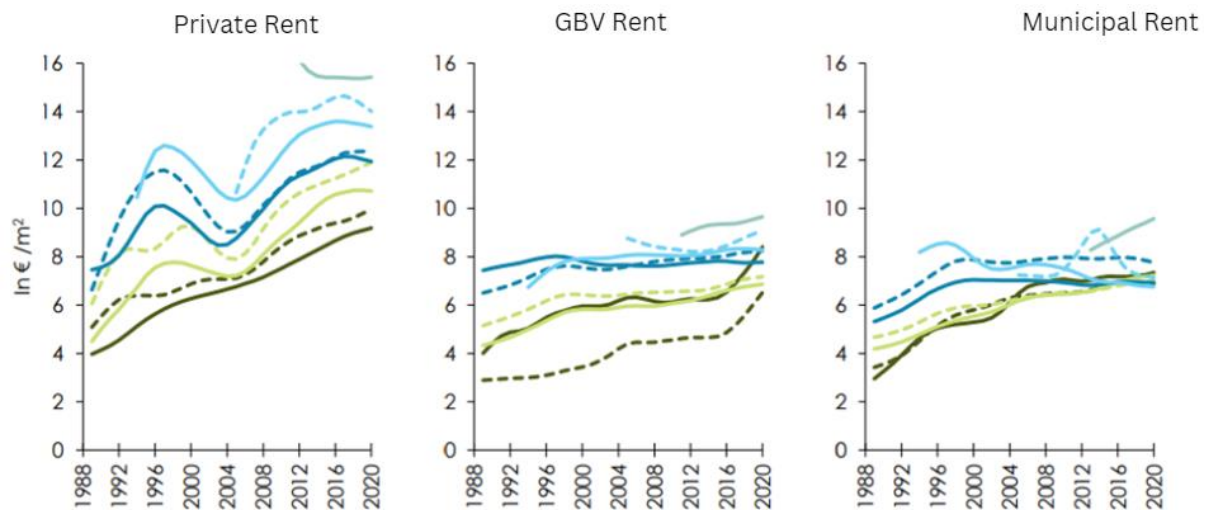
affordability but also its wider impact on economic vitality, educational opportunities, and overall well-being. It's about fostering a society where everyone has a fair shot at success.

This is why Non-Market Housing matters; it provides residents with the ability to not worry about their financial budgets, save for the future, as well as look forward to the future with hope. Addressing the housing crisis is not just about ensuring that people have a place to live; it's about securing the future of our city by enabling everyone, especially our essential workers, to live, work, and thrive here. A city's success is not just dependent on people working there but on their will and eagerness to want to work.

A Comparative Angle: The City of Vienna

Non-Market Housing has stabilized and supported Austrian cities, serving as a prime example of its effectiveness. When considering the benefits of Non-Market Housing, several European cities utilize it to protect middle-class Europeans. Among these, Vienna stands out due to its sheer number of buildings and similarities to Vancouver. Both cities boast democratic governments, somewhat similar populations, high standards of living, and temperate climates. However, there's a stark contrast in Non-Market Housing policy implementation, with around 60% of Vienna's population residing in such housing compared to only about 5% in metro Vancouver (Hernández-Morales, 2022; Metro Vancouver, 2023).

Average Rent Per Square Meter for Private and Public Housing



Source: Statistics Austria 2021, Klien, M., Huber, P., Reschenhofer, P., Gutheil-Knopp-Kirchwald, G., & Gerald. 2023

In Vienna, we observe that the Non-Market Housing market has remained consistently stable, with sheer numbers providing a reliable alternative to the private market. Between 1980 and 2020, rental prices through GVB and municipal rent experienced slight increases but remained significantly lower than the private market. For instance, GVB rentals mostly stayed around 8 euros per square meter, with fluctuations based on construction dates. In contrast, the private sector witnessed much higher increases, with prices ranging from 8 to 16 euros per square meter. This stark difference provides middle-class Austrians with an alternative that the current private sector cannot accommodate due to cost constraints.

While Austria is not without its imperfections, this alternative offers relief for middle-class and lower-income populations, a relief that Vancouver currently lacks due to limited space. Achieving the same level of Non-Market Housing as Vienna may be nearly impossible due to its sheer number, but Vancouver can take steps to reshape its housing market. To further increase and improve Non-Market Housing, we recommend increasing funding at the provincial or federal level, repurposing existing private supply, and creating more flexible zones.

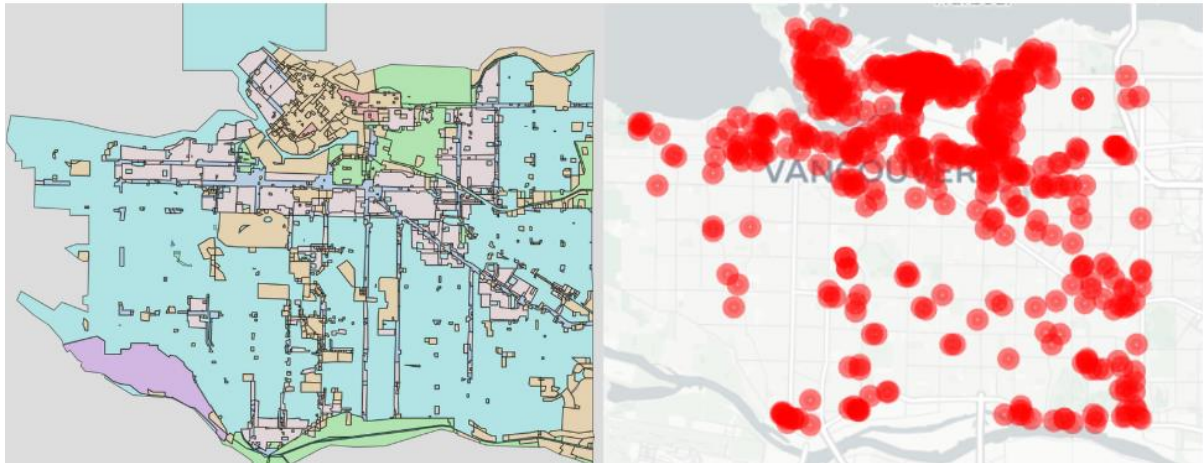
Recommendations

Our first recommendation is greater provincial and federal government funding to bolster the Non-Market Housing supply. As the population grows, the availability of Non-Market Housing diminishes as more people apply for a limited number of homes. The primary challenge in increasing Non-Market Housing lies in the initial investment costs. Depending on materials, construction costs, land, and other expenses, average Non-Market Housing Projects can incur total capital costs ranging from around \$300,000 to \$500,000 (Lee, 2021). Unlike the private sector, where returns are quick albeit at high costs, Non-Market Housing is a slow process. While profitable in the long term, it may take years for returns to materialize due to intentionally low rents.

Previously, the Canadian government supported Non-Market Housing much more effectively, and similar projects tailored to current attitudes can be successful. For example, in 1964, Non-Market Housing loan transfers provided 90% of the loan for provincial social housing (Begin, 1999). However, support waned in the late 1980s, resulting in reduced Non-Market Housing availability compared to the past. Limited funds transformed Non-Market Housing from a viable alternative for many to a stroke of good luck. The graph indicates that most houses were built from the 1970s to the 1980s when government support was highest. Therefore, by reinstating or implementing new policies, Non-Market Housing can regain its prominence.

Our next recommendation involves repurposing current buildings into Non-Market Housing to reduce costs. While not all buildings are suitable candidates for conversion—such as single-family homes, which may not be cost-effective—some structures require only minor modifications to accommodate Non-Market Housing. The objective is to keep the costs of Non-Market Housing units low. Depending on factors such as construction materials, duration of construction, and land value policy, Non-Market Housing costs can range from

\$300,000 to \$500,000 in Vancouver (Lee, 2021). However, this range may fall outside the budget of the non-profit sector and deter support for government funding. By reducing construction costs, we can significantly alter public perception and potentially convert more buildings into Non-Market Housing .



Source: City of Vancouver. (2024). Zoning districts and labels; City of Vancouver.(2024) Non-Market-Housing

Regarding zoning, while securing funding and creating new Non-Market Housing Units is crucial, existing zoning laws must be reevaluated or amended to facilitate rapid growth. Upon examining the zoning map alongside the distribution of Non-Market Housing In Vancouver, a correlation emerges between zones where Non-Market Housing Development is feasible and those where it is challenging. Areas in downtown and the east side exhibit a higher concentration of Non-Market Housing compared to regions like West Vancouver, where such housing options are scarce. While it's essential to provide housing in downtown areas, other regions with inclusive zoning policies should not be overlooked. These zones predominantly support single-family homes, with limited provisions for Non-Market Housing Or other types of residential developments. Opening up zoning regulations allows for the dispersion of Non-Market Housing Across various neighborhoods and enables diverse housing options to be available in different areas. Normalizing the presence of Non-Market Housing and permitting its construction everywhere eliminates barriers to new development, fostering an

environment conducive to increased housing options. Therefore, we propose either the elimination or greater flexibility of zoning restrictions to facilitate the growth of Non-Market Housing initiatives.

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