

## CONTINUUM OF AFFORDABLE HOUSING FOR WORKERS (2018)

The BC and federal governments announced numerous programs and included in their budgets the means to address affordable housing. A mix of incentives, investments, and tools have been suggested which aligned with the intent of previous BC Chamber policies. What is required, however, is to ensure that the programs not only align with each other, but also addresses a continuum of housing needs, particularly for the modest to middle income earners in challenging housing markets.

### Background

In a study done by Vancity,<sup>1</sup> the cost of housing was determined to inhibit young workers from coming or staying in the greater Vancouver region. Similar studies have pointed out that the rise of real estate values is greatly outpacing incomes and the gap is growing. Very few workers receive salary increases of 10-20% per year. In fact, Vancity's findings are that salary growth is slowing with the past five years averaging 1.3%. This, claims Vancity, is why Millennials are exiting the Lower Mainland labour market for greener pastures where employment and housing opportunities co-exist. It may also deter in-migration and immigration of skilled workers to locations where skills are required.

There is a gap in the upper-low income and mid-range incomes for rental accommodation. For example, the Lower Mainland's current median income is \$63,000 (most renters fall under the median<sup>2</sup>), with the median income of a census family in Vancouver at \$79,930<sup>3</sup> for 2015. An average 2-bedroom suite is \$1,552<sup>4</sup> requiring an after-tax income of \$55,872 in Vancouver. The problem is not affordability for Vancity's list of skilled workers, it is a deficit of mid-range lightly subsidized to full market rental units. There is opportunity for developers to reach this market.

Provincially, the Canadian Mortgage and Housing Corporation (CMHC) reports for 2017 that the overall vacancy rate is 1.3%, with the average rent up by 5.8%. Demand is greater (vacancy rate less than the provincial average of 1.3%) for urban/suburban centres and tourist destinations. Corresponding average rents are higher where demand is greater.<sup>5</sup> Only six locations with a population greater than 10,000 had a vacancy rate greater than 1.3%. The pressure for non-market and purpose-built market rental units is felt throughout BC and can no longer be ignored.

The federal government recently announced the National Housing Strategy<sup>6</sup>, which outlines a number of strategies to provide affordable housing.<sup>7</sup> However, the funds for the \$4 billion Canada Housing Benefit, in partnership with provincial and territories' governments, won't be available until 2020, and it will focus on lower income earners and social support housing. Further, the Federal Budget proposed to increase the amount of loans provided by the Rental Construction Financing Initiative from \$2.5 billion to \$3.75 billion over the next three years. This, they anticipate, will support the construction of more than 14,000

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1 Vancity, May 2015. *Help wanted: salaries, affordability and the exodus of labour from Metro Vancouver.*

[https://www.vancity.com/AboutVancity/News/MediaReleases/Archives/MediaReleases2015/JobStudy\\_May20\\_2015/](https://www.vancity.com/AboutVancity/News/MediaReleases/Archives/MediaReleases2015/JobStudy_May20_2015/)

2 Metro Vancouver, 2015. *Housing and Transportation Cost Burden Study.*

3 Census Family median income 2015 <http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/famil107a-eng.htm>.

4 CMHC Vancouver Rental Market Report 2017 <https://www03.cmhc-schl.gc.ca/catalog/productDetail.cfm?cat=117&itm=3&lang=en&fr=1520623797115>.

5 CMHC Rental Market Report, British Columbia Highlights, 2017 <https://www03.cmhc-schl.gc.ca/catalog/productDetail.cfm?lang=en&cat=59&itm=19&fr=1523394982609>.

6 National Housing Strategy <https://www.placetocallhome.ca/>.

7 CMHC: Canadians get affordable housing help, November 2017 <https://www.cmhc-schl.gc.ca/en/corp/nero/nere/2017/2017-11-22-1505.cfm>.

new modest to middle income units across Canada. The Federal government also proposes to provide \$113.6 million over five years, starting in 2018–19, to Canada Mortgage and Housing Corporation to expand the Rental Construction Financing Initiative.<sup>8</sup>

While the federal loans are laudable (and long overdue), the focus of investments are at the social to low-income rentals. The recent BC Budget proposed a 30-point plan for housing affordability, likewise focusing on the lower income renters, with some acknowledgement of development through their HousingHub – a collaborative effort across governments and other stakeholders. Part of the plan is to define the problem of housing with a \$5Million, 3-year assessment by local governments housing needs. Again, these are laudable proposals. However, as pointed out, there is a ready market of middle- to upper income earners who are seeking rental units. If there is not a continuum of rental units from supportive, through to market, the demand will continue to cause rapid increases in rent on the few units that are available. Therefore, to provide developers with the tools they need to address this market, a range of tax incentive programs, such as DCCs, property tax, income tax, and capital gains tax incentives, in conjunction with other levers, should be implemented to foster innovative development.

### **Legislation Reviews**

In Vancouver, according to a report released in 2017<sup>9</sup>, there are over 25,000 unoccupied homes (or had temporary occupants), and of those, 8,500 registered for the city's Empty Homes Tax.<sup>10</sup> There is speculation on how many more will receive a tax bill due mid-April. Other cities, particularly urban centres that have numerous condo developments are likely to find many are vacant for much of the year. With vacancy rates in urban areas experiencing an all time low,<sup>11</sup> there is pressure on the provincial and local governments to find ways of opening up these spaces for long-term rent. Vancouver has developed the Empty Homes Tax as a disincentive to owners; however, nowhere does it mention one of the biggest barriers to converting these properties to rentals – strata by-laws that prohibit renting properties to non-immediate family members. A speculation tax as recommended in the BC Budget 2018's 30-Point Plan for Affordable Housing would penalize those who cannot rent out their vacant homes while they are away for more than the 6 months indicated.

On March 26, the Minister of Finance provided further detail for the provincial speculation tax, however, neither the backgrounder or the 30-Point Plan specified whether owners of strata properties would be exempt by virtue of strata by-laws prohibiting or severely restricting rentals. This will need to be clarified in the speculation tax legislation as it would be challenged by Part 8 of the Strata Property Act.<sup>12</sup>

On April 10, the Premier appointed a Rental Housing Task Force to review and provide recommendations to update the Residential Tenancy Act. This is welcomed as the legislation is long overdue for an overhaul; in particular, Part 5 – Resolving Disputes. Overall, if the relationship between landlord and tenant is more respectful, more landowners would be encouraged to make more units available for long-term rentals.

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8 <https://www.cmhc-schl.gc.ca/en/hoficlincl/moloin/mupr/rental-construction-initiative.cfm>.

9 Ferreras, Jesse, Global: From 2001 to 2016, over 12,000 more Vancouver homes were left 'empty', June 2017

<https://globalnews.ca/news/3552940/vancouver-empty-homes/>.

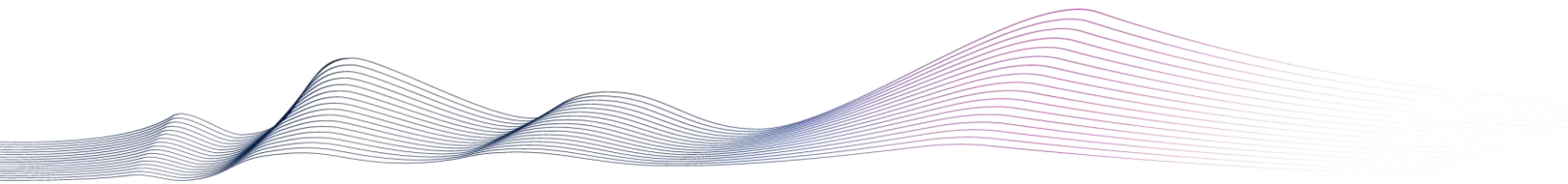
10 Little, Simon, CKNW: Census found 25K empty homes in Vancouver. Empty homes tax filings show 1/3 that, March 2017

<https://globalnews.ca/news/4068194/vancouver-empty-homes-tax/>.

11 Ghoussoub, Michelle, CBC: BC Cities have some of the highest rents and lowest vacancy rates in Canada, November 2017.

<http://www.cbc.ca/news/canada/british-columbia/b-c-cities-have-some-of-the-highest-rents-and-lowest-vacancy-rates-in-canada-1.4422343>.

12 BC Government News Release – Speculation Tax Details, <https://news.gov.bc.ca/releases/2018FIN0009-000501>.



The BC and federal governments have made great strides forward in putting programs and investments in place to begin to address housing needs for those who are not able to purchase a home. Homes are required for those without a place through to those who can afford but are challenged by a very low rental rate. Without that continuum of housing options, the pressures on any rental unit will continue to cause high rents and low vacancy rates.

#### THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Provide tax incentives for developers to build purpose rental market housing for workers, without waiting for the completion of a 3-year study of housing needs assessment by local governments;
2. Ensure clarity for exemptions in the Speculation Tax legislation; and
3. Review the Residential Tenancy Act to ensure it is not discouraging renting out existing properties nor building new properties for the rental market.

