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More of the same won't fix affordability

Not so simple as issue of supply, Elizabeth Murphy writes.

Vancouver's housing affordability crisis is being driven by development speculation and the unchecked flow of foreign capital. But rather than deal with these real issues, the crisis is being falsely framed as a lack of housing supply. In fact, rezonings for increased density inflates land values, which is a big part of the problem.

Vancouver has an enormous amount of existing zoned capacity, but the amount of zoning already in place for increased development has yet to be built out.

The city's 2014 consultant report confirmed there is sufficient capacity in existing zoning and approved plans to accommodate over 20 years of supply at the recent record-setting pace of residential development. They only counted recently rezoned new multi-family supply, and even more has been added since 2014. No lack of supply issues here. Yet, even though there is so much capacity for new housing supply, prices have escalated at record levels. Developers only build once they can get their price at pre-sales required for financing, which ensures escalating prices. Increased zoned capacity has not brought in more affordability either.

For example, the West End community plan, approved in 2013, allowed increased zoning in some areas up to 60 storeys. One of these sites was an assembly of two older, more-affordable low-rise rental apartment buildings, reportedly bought by Peter and Bruno Wall for \$16.8 million in 2014. Recently sold to foreign investors for \$60 million, they were flipped a month later for \$68 million, all without paying property transfer taxes due to it being a bare trust.

This will result in luxury condos built to replace existing affordable rentals. The new community plan that allowed the 60-storey development instigated the land speculation and inflation. Increased density equals loss of affordability. These projects are often exclusively marketed overseas.

The recently released Grandview community draft plan similarly puts a large amount of older affordable rentals, co-ops, social housing and heritage buildings at risk. There is no justification for approving this plan.

All along the Cambie Corridor, there have been significant increases in development potential. This has resulted in land speculation and assemblies for condo development — mostly six to 10 storeys, with 32 storeys at Marine and 45 storeys at Oakridge. Even though the Canada Line was at peak hour capacity from the day it opened in 2010, new rezonings continue to be approved.

Land and unit values continue to escalate despite increased supply while transportation and amenities are diminished and cannot keep up with increased needs.

In 2009, there was a city-wide rezoning of most of the roughly 70,000 single-family properties to increase the size of new developments, add laneway houses and remove conditional design guidelines.

There now is no such thing as single-family zoning in Vancouver. Most every lot can have three units: the main dwelling, a secondary suite and a laneway house. But rather than using these as an incentive to retain and upgrade solid older homes, they are leading to more demolition, waste and inflation.

Older, more-affordable character and heritage houses that often had secondary suites are being replaced with monster McMansions at twice the price. These are often left vacant and flipped multiple times, increasing land values that are disconnected from the local economy.

So the pattern is up-zoning for more housing supply, land speculation, demolition of older and more affordable housing, and redevelopment to expensive units marketed as offshore investments. Further increasing housing supply in this way is not going to address the problem of affordability for locals.

Simple supply-and-demand economics are no longer working. Tying transit funding to increased density, as has been promoted by industry, would only make things worse. Communities should be given more influence in land-use decisions, not handicapped with less consultation and input.

The answer is more complex. It needs to deal with foreign capital flows and speculation.

As the city's consultants confirmed, we have decades of development potential already available. There is no need for rash decisions that further increase supply, leading to escalation of the land inflation we are already experiencing. Insanity is defined as repeating the same things while expecting different results.