

Private sector has a role in addressing housing affordability

BY BOB RANSFORD MAY 16, 2014



When developers try to build market housing, it is burdened with myriad municipal charges, levies, fees and contributions that simply add to the cost of that housing. There's something illogical about the way we are responding in our urban region to our astronomical housing prices.

Photograph by: Chris Mikula, The Ottawa Citizen

When developers try to build market housing, it is burdened with myriad municipal charges, levies, fees and contributions that simply add to the cost of that housing.

There's something illogical about the way we are responding in our urban region to our astronomical housing prices. While people in almost every income bracket in Metro Vancouver are caught up in the lifestyle-eroding struggle to pay for housing, collectively as communities we're doing almost everything possible to stifle the supply of new housing.

I am at a loss to understand what has caused a perverse disconnect between the market realities of supply and demand and the predicament we find ourselves in, burdened with a cost of living almost entirely consumed by rent or mortgage payments.

The frightening reality is that this disconnect seems to be growing larger. It is getting more difficult and more expensive every day to supply housing in Metro Vancouver. It seems like we are the only ones in North America who believe that we need to make it tougher to build new housing in an era where there is an acknowledged global housing shortage — the product of a world that is fast seeing huge population shifts to urban centres.

A couple of weeks ago, New York Mayor Bill de Blasio declared that New Yorkers have a crisis of housing affordability on their hands. The mayor zeroed in on the mismatch between the demand for, and the supply of, housing as one of the leading causes of the affordability crisis. His response is a comprehensive plan to build and preserve 200,000 affordable housing units over the coming decade to support New Yorkers with a range of incomes from the very lowest to those in the middle class.

While many of the initiatives in the New York City plan are aimed at renewing and increasing subsidized public housing, the role of private-sector housing developers in supplying housing is explicitly acknowledged in the mayor's plan. Also

among the plan's eight guiding principles is one that declares that the city's planning processes and land-use policies need to be revamped so that New York's five boroughs can become denser, while better planning for growth. The strategies outlined in the plan to address that principle include removing unnecessary delays and barriers to developing housing, modernizing height and setback regulations to accommodate typical floor-to-floor heights for housing and ground-floor retail and eliminating floor-space ratio caps.

Density itself is not the solution - else the denser places would be cheaper. They are not! - cjk

In Metro Vancouver, we haven't seen a forthright acknowledgment that market housing development is one of the keys to increasing supply so that prices won't continue to skyrocket. We haven't had meaningful commitments from local governments to remove unnecessary delays and barriers to developing housing, and every change in zoning and land-use regulation is set up as a political battle rather than an effort to promote housing creation.

I have attended at least four meetings over the last month that were called to discuss the housing affordability challenge in Metro Vancouver. The main topic on the table at all four meetings focused on trying to figure out new ways to provide affordable non-market housing.

A wide range of options was explored at these four meetings convened with a diverse range of people from the community.

None of the options were what I would call the "traditional" means of providing housing.

We didn't talk about the market response to housing demand and supply.

Instead, all of the talk was about potential ways of using non-market tools or levers to try to make affordable housing available, not just to the marginalized or the poor, but to what I call the "mass market." It is almost as though we have written off a market response.

When developers try to build market housing, it is burdened with a myriad of municipal charges, levies, fees and contributions that simply add to the cost of that housing.

Else they would be subsidized - and it would be called non-market housing! - cjk

I analyzed a recent rezoning in East Vancouver for a condominium apartment project, where a typical two-bedroom apartment might sell for around \$460,000. When I add up the City's Development Cost Levies, Community Amenity Contributions and public art levies, they equate to about \$37,000 for that unit. When that \$37,000 is financed with a mortgage over 25 years, the interest cost is approximately \$22,500.

$36/460 < 10\%$ which is within limits specified by province. - cjk

Delivering new housing to the market isn't only expensive because of municipal fees, it is expensive because of the approvals process and the regulators' demands around design. It takes a number of years from the time approvals are first sought for a multi-family development to the time the housing is occupied.

Effective interest rates (holding costs) are much lower than in past! - cjk

It takes a number of months just to get a 600-square-foot laneway house approved in Vancouver. A list of people at city hall reviews the most minute design details for every laneway house application. Remember, laneway houses were supposed to be a new affordable housing option.

I am not sure what it will take to get people to connect the dots between our astronomical housing prices and the way we are constraining housing supply. People in other parts of North America seem to get it and are responding to the "crisis," while we seem to be going in the opposite direction.

Bob Ransford is a public affairs consultant with Counterpoint Communications Inc. He is a former real estate developer who specializes in urban land-use issues. Email: ransford@counterpoint.ca or

Twitter: @BobRansford

© Copyright (c) The Vancouver Sun