

Community Trends 2021

Housing unaffordability:
crisis or crossroads?

OVERVIEW

The 2021 infographic provides some key population, economic, transportation, and housing indicators from the City. This snapshot, particularly the decreased unemployment rate and high building permit values relative to 2020, indicate a strong economy. Low transit ridership is a reminder that there are ongoing impacts of the pandemic. Scooter statistics suggest that the community is embracing these as a viable form of transportation for short trips. Lastly, housing indicators, particularly the steep rise in housing costs and high rents, are discussed in more detail within the report.

POPULATION

>>> 145,500*



MEDIAN HOUSEHOLD INCOME

\$74,461
down 1% from 2020

unemployment
rate >>> 4.4%



TRANSIT RIDERSHIP
DOWN 41% FROM 2019

average 2-bedroom rental rate

PRIMARY MARKET: \$1,917 ↑ 3.8%

SECONDARY MARKET: \$2,360 ↑ 26.1%



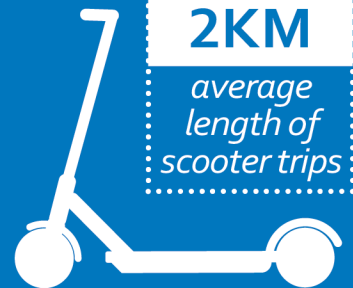
862 BUILDING
permits issued
FOR 3175 UNITS

1319

average number of
scooter rides per day

2KM

average
length of
scooter trips



MEDIAN PRICE
NEW CONDO
\$589,900

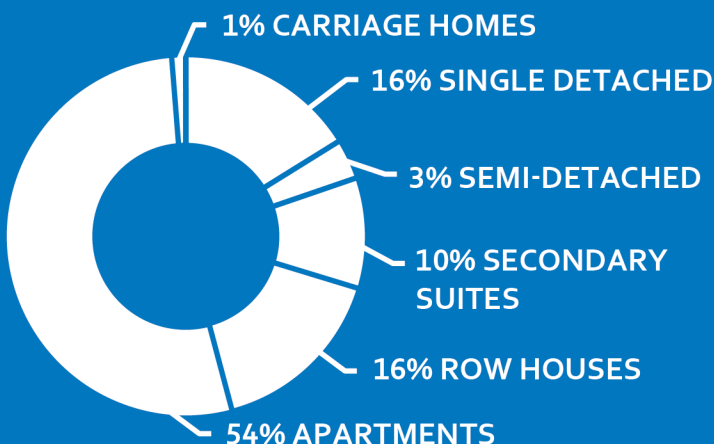


2.1%

RENTAL HOUSING
VACANCY RATE



740 purpose built rental units
completed in 2021



building permits by type

BUILDING PERMIT
VALUE
\$1.169 BILLION



BENCHMARK HOUSING COST:

SINGLE HOMES ↑ 32.7%
\$978,500

ROW HOUSES ↑ 28.5%
\$688,600

CONDOS ↑ 28.9%
\$495,400

* Population Estimate provided by Environics Analytics.

Infographic prepared using the following sources: StatsCanada, Environics, BC Assessment, CMHC, Knew Realty Research, Association of Interior Realtors and City of Kelowna through November 2021.

COMMUNITY TRENDS REPORT 2021

INTRODUCTION

A recent surge in housing prices across the country leaves many talking about housing *unaffordability* rather than affordability. This topic was a main voter concern during the recent Canadian federal election campaign where five major federal parties all featured housing as a policy priority. Three of the parties used the phrase 'housing crisis' to frame the problem.¹ Locally, provincially, and nationally the topic of unaffordability, and increasing housing costs growing more detached from incomes, has moved beyond a topical 'trend' and become an expectation. There is growing acceptance at all levels of government that more significant action towards housing affordability is needed.

As we navigate this crossroads, we are faced with compounding challenges. Economic uncertainty of the COVID-19 pandemic has exacerbated housing unaffordability across the country. Kelowna's 2020 citizen survey found that the pandemic impacted 32% of households' ability to meet financial obligations.² 2021 has seen the most rapid rate increase of inflation since 2003³ and unemployment rates have fluctuated across the country. The November 2021 'benchmark' price of a detached house in Kelowna was 32.7% higher than the same time in 2020.⁴ Fewer than 1 in 10 Kelowna households could afford this price. CMHC has issued a cross-country warning of high housing market vulnerability in response to country-wide rising prices.⁵ Locally, Zumper.com currently ranks Kelowna as the 4th most expensive rental market in Canada.⁶ This high unaffordability has particularly negative impacts on those at risk of homelessness and those looking for new rental accommodations, while first time buyers may be now suddenly priced out of the market.⁷



This state of unaffordability is despite significant and continued efforts of the City and our partners to address the community's housing needs. Importantly, without these efforts, unaffordability in Kelowna today would likely be worse. Through actions endorsed in the Healthy Housing Strategy and the Journey Home Strategy, hundreds of purpose-built rentals have been incentivized, suites and carriage houses have been insulated from some impacts of short-term rentals, new partnerships have been forged, and housing with supports has been expanded, amongst many other actions taken.

Yet as unaffordability worsens, conversations about housing in media, research, and from cities across the country and globe have become muddled. Labels of 'housing crisis', disparate solutions, finger pointing, and obscure answers are common. The only certainty arising from this scenario is that additional action is needed – with no consensus as to what. This trend of obscurity poses a threat to how local governments can articulate the problem and move towards solutions.

The Community Trends Report reflects on this impasse by posing a few key questions: **What is the state of housing in Kelowna today? How is affordability discussed and why does it matter? How can we change the conversation to be more productive? Will the housing system and the role of the actors need to evolve? As a local government, do we need to re-examine our role in housing affordability?**



HOUSING IN KELOWNA TODAY

There is a growing urgency to housing conversations across the country and locally. As calls are made to better respond to housing unaffordability, and labels of a crisis are used, it is important to understand specifically what unaffordability looks like. In Kelowna, this has evolved into a significant and persistent problem. This can quickly be demonstrated by a trio of statistics:



1

The median multiple – a ratio of the median house price to the median income – can be used to compare housing affordability across cities. A value of 3.0 or less is considered affordable. Vancouver and Toronto are the highest in Canada, at 13 and 9.9, respectively.⁸ Kelowna currently sits at a median multiple of 8.6.⁹ This is the same score as London, UK, which ranks our city in the same affordability class as some of the most unaffordable major urban centres in the world.

2

The proportion of renter households in Kelowna which are spending more than 30% of their gross income on rent – the standard measure of affordability on a household scale – is 47%. This is higher than both Vancouver (44%) and the provincial figure (43%).¹⁰ In absolute numbers, this represents more than 8,000 renter households which could be struggling or could be on the verge of homelessness every month.

3

The average rent in Kelowna has recently risen significantly faster than wages. According to the online rental listing aggregator Zumper.com, the average listed price for a 2-bedroom secondary market rental in Kelowna increased 24.6% between October 2020 and October 2021, the largest increase in the country, to \$2,180.¹¹ Independent local research conducted for the City suggests this increase could be slightly higher, at 26%.¹²



THE AFFORDABILITY GAP

WAGES AND PRICES ARE GETTING FURTHER APART. THIS IS MAKING AFFORDABILITY WORSE

There is an ongoing trend of *continually worsening* unaffordability in Kelowna. At the core of this is the separation of wages and housing costs. The graph below shows this trend in the City of Kelowna by displaying the relative change of wages and housing costs since 2001. This separation creates what is called the 'affordability gap': the difference between the price of housing and the necessary minimum income to afford to purchase. The graph shows that as housing prices have risen to record levels, earnings have remained relatively flat. This trend is similar across the country.

Research conducted out of UBC adds context to this. It identified that in Kelowna specifically, *average house prices would need to fall by ½ to close this gap and return to a state of affordability.* Alternatively, typical full-time wages would need to increase by \$100,000.¹⁵ While obviously unrealistic, the numbers illustrate the severity of unaffordability. The same research also estimates it would take the average rental household in Kelowna 13 years or more to save a down payment.¹⁶ The analysis was based upon 2018 sales data: since that time the median purchase price in Kelowna has increased by more than 35%.¹⁷

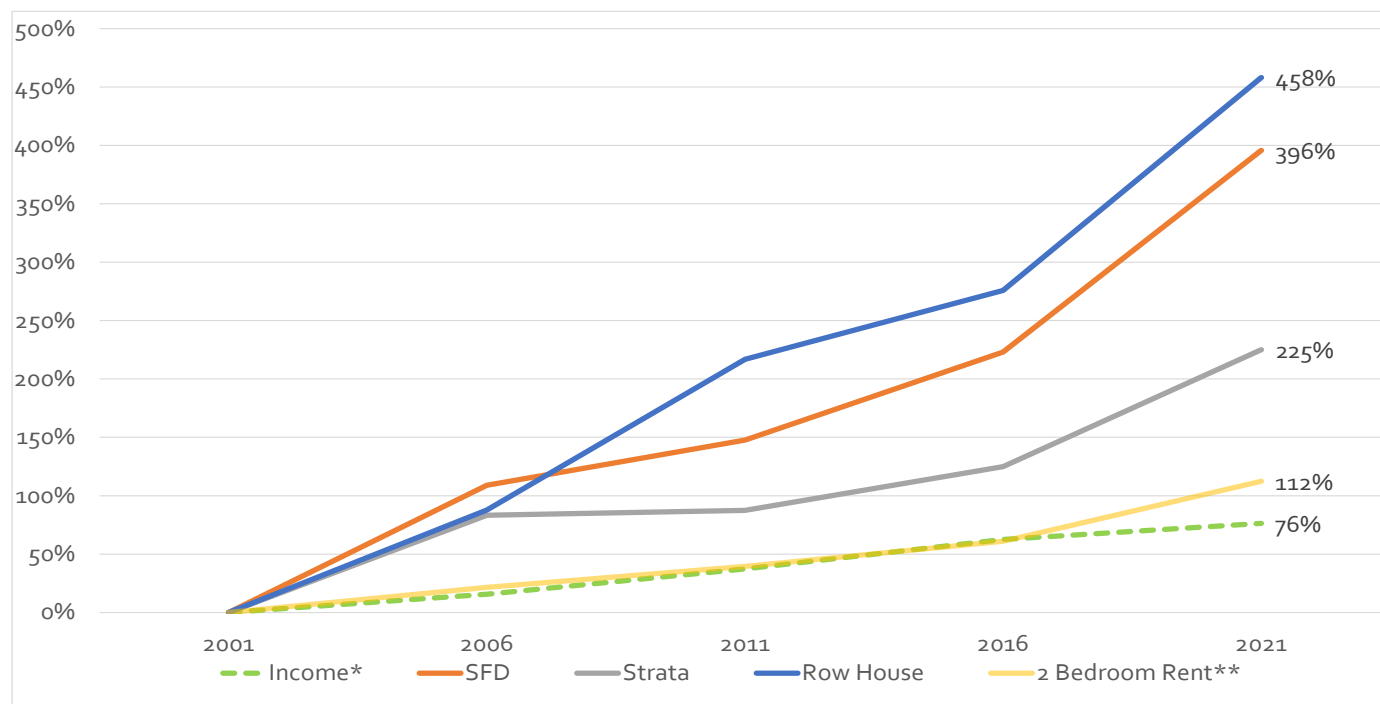
DEEPER DIVE: GIVING UP AND STAYING PUT?

Rising housing costs are making it more difficult for renters to make the jump to home ownership. A recent poll conducted by the Royal Bank of Canada suggests that 36% of renters, countrywide, have 'given up' on home ownership.¹³ While continuing record breaking sale prices of single family homes dominates media headlines, the impact of rising unaffordability is particularly felt amongst renters as they struggle to absorb additional costs and pay already high rents - with no end in sight.

Across the country in 2019, not a single metropolitan area saw an increase in the rental apartment turnover rate. This is a statistic likely influenced by the pandemic, but also a trend we can expect to continue as rents remain high.¹⁴

Rising rents exacerbate the ability of renters to save a downpayment for a home. This decreased mobility, whether by choice or not, also generates a constraint on the rental market as more people stay renting longer, and exacerbates demand for more affordable (less than 30% of household income) rental units.

City of Kelowna percentage change in median housing costs, average rent, and median income relative to 2001



Source: Statistics Canada, Environics Analytics, BC Assessment Authority, CMHC

** 2 bedroom rent reflects most recent CMHC Rental Market Survey data from October 2020. Current asking rents are higher.

THE AFFORDABILITY GAP

AFFORDABILITY IS EVEN WORSE FOR RENTERS

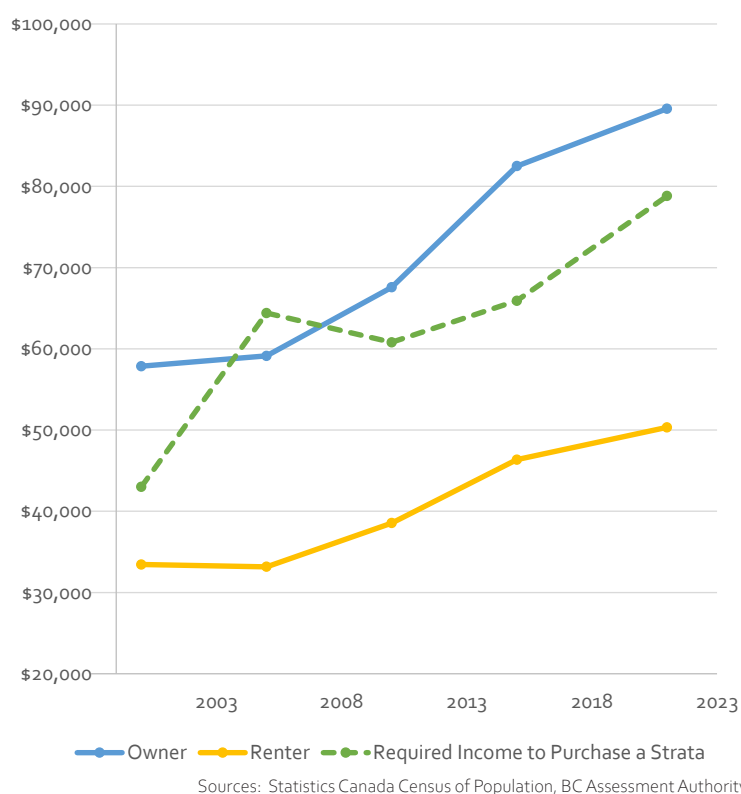
Wage statistics such as the one presented on the previous page are often based on the overall median wage which combines the incomes of renters and owners. This can downplay the significance of unaffordability in the community. The overall wage does not take into account the fact that renters typically have lower household incomes, putting them at a disadvantage when seeking to purchase a home or pay rent or cover additional costs. With this in mind, it is important to look at the incomes of owners and renters separately.

The graph to the right shows the median household income of renters and homeowners separately, since 2001.¹⁸ The minimum approximate salary to purchase a median priced strata (apartment) unit is included, showing the gap between actual incomes and the cost of ownership.

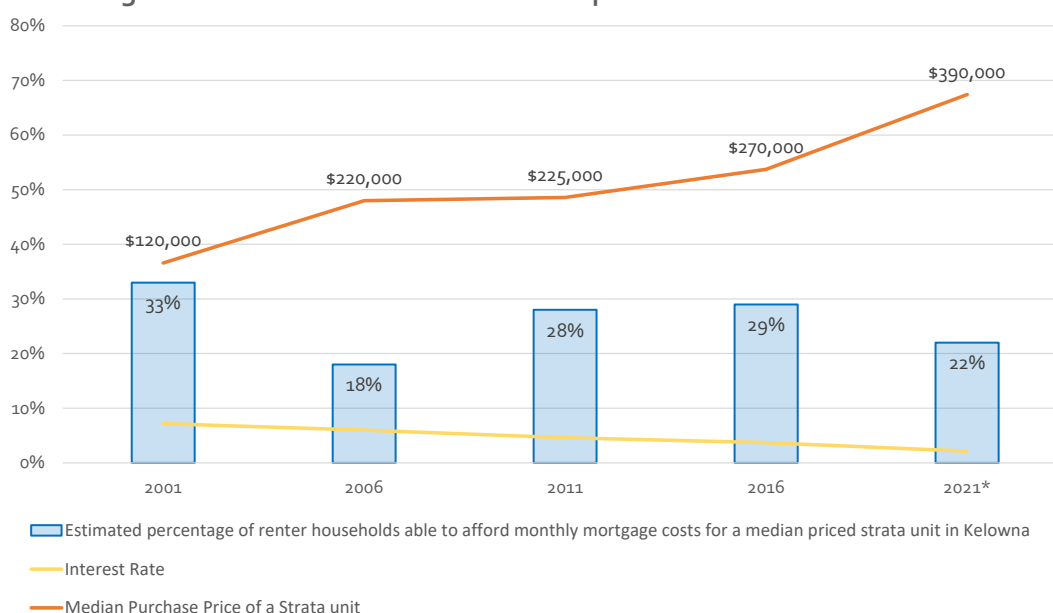
This trend particularly underscores one of the unaffordability challenges we face. If the median renter income is lower than the necessary income to purchase a median priced strata unit, it means that more than 50% of renters are priced out of the housing market.

To better illustrate the affordability gap in Kelowna, the graph below shows the shrinking proportion of renter households in Kelowna, since 2001, that could afford to purchase a strata unit. Based on year to date 2021 sales data, barely 1 in 5 renter households in Kelowna could afford to purchase an apartment. In other words, *80% of renters cannot afford to move into homeownership.*

Kelowna CMA Median Household Income



Affordability of Ownership from 2001 - 2021: Share of total renter households earning enough income to afford the median sales price of a strata unit in Kelowna.



Sources: Statistics Canada Census of Population, BC Assessment Sales Data, Bank of Canada
 Income based on Kelowna CMA. *2021 Income is an estimate based upon Environics Analytics sampling and projection data.
 Interest Rates based on Bank of Canada Average 5 year lending rate.
 Mortgage affordability assumes 10% down payment and that housing costs cannot exceed 30% of gross income. Actual lending practices may vary.
 Housing costs based on median price of all units sold and categorized as 'strata' by BC Assessment. Housing costs include mortgage payments, property taxes, strata fees, and utility costs.
 Strata fees set at 0.35/sq.ft. (2021 dollars) for a 750 square foot condo.

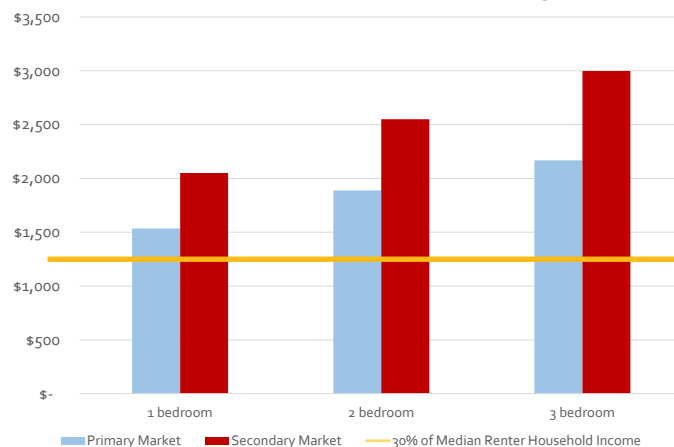
THE AFFORDABILITY GAP

The cost of rent is also increasing faster than wages and new purpose-built rentals in Kelowna are not affordable to the majority of renters. In September 2021, the median listed rental price for a new 2-bedroom purpose-built unit was \$1,888. In the Kelowna area, less than 30% of renter households make enough for this to be affordable. A household would need an annual before-tax income of \$75,520 to keep this rent below 30% of their income, which is significantly higher than the 2021 median renter household income of \$50,300. In the absence of any other affordable options, renter households overextend themselves to pay these amounts.

"Everyone talks about housing affordability but affordable, suitable, and adequate rental housing is the foundation of the housing ladder." - Andy Yan MCIP RPP, Director, City Program, Simon Fraser University⁴⁹

Median market rents for new purpose built rentals, and secondary (private) market rentals, based upon a September 2021 survey are shown in the graph to the right. These numbers only reflect apartments that are becoming available, and not what rents are paid across the city for those in existing rental contracts. This is important because the numbers demonstrate the direction that rental costs are heading.

Kelowna City median monthly asking rent



Source: Knew Realty Research, September 2021

SUMMARY POINTS OF THE AFFORDABILITY GAP

Based on the income statistics provided in this report, fewer than 1 in 10 households across the city could afford to purchase a detached home, fewer than 1 in 5 renters could afford to move into ownership, and only 30% of renters in the city could afford current rental prices. This poses a significant problem which places us at a crossroads. The next sections explore how housing experts and other governments are taking new approaches to the housing system to respond to this situation.

DEEPER DIVE: SOCIAL AND ECONOMIC IMPACTS OF HOUSING UNAFFORDABILITY

We do not yet fully understand the impacts of the most recent spikes in rent and housing costs. Some of what we do know is:

Reduced mobility. Unaffordability limits the ability of people to move through different types of housing depending on their situation and life stage. It may also impact people's decisions to move to Kelowna over other more affordable communities. Rising costs of ownership has a secondary impact of squeezing the rental market. When tenants have fewer options, they stay where they are rather than purchasing a home. Typically, people move rental units with changes in career, family, and income, freeing up cheaper and smaller units for those at the beginning of this journey. Units are becoming available less frequently, and when they do the rental price is often significantly higher.²⁰ This exacerbates demand for more affordable (<30% income) units and creates a vicious cycle.

Inequality. Unaffordability within our housing system introduces serious consequences of equity and opportunity. In simple terms, those who already own see their wealth increase as prices increase, and those who rent have a declining opportunity to build wealth as their costs increase. This disproportionately impacts female-led, minority and indigenous households.²¹

Homelessness. Increases in homelessness can signal problems with the housing system. We know that the homelessness count saw a 4% increase between 2018 and 2020, and 23% increase from 2016 - 2018.²² Supportive housing will have less turnover if market rents are too high and mobility is restricted. If fewer people are able to move from supportive and/or subsidized housing into market housing, those who are homeless struggle to access the supportive housing they need.

Lost productivity. The economic impacts of unaffordability are significant. It impacts the ability of businesses to retain and expand, decreases access of business to new talent, has negative impacts on childhood education, and poor community development within the arts and culture sectors. The wages of renters put towards higher rents is money not spent within the local economy. This impacts business development and ability to innovate. It may have a more profound impact on smaller independent businesses.²³

Mental health. As described in the Healthy City Strategy, the stress associated with high housing costs and housing insecurity is known to have negative health impacts, put a strain on our healthcare system and decrease overall economic productivity further. The alternative – stable and affordable housing – leads to improved happiness and improved wellbeing amongst residents.²⁴

CHANGING THE CONVERSATION



HOW CAN WE TALK ABOUT HOUSING AFFORDABILITY IN A DIFFERENT WAY?

Conversations about housing affordability are becoming more frequent across the community and country. These conversations, whether at work, at home, or in the media, are important. They impact common understandings of the issues. This is important, as the framing of these conversations – how housing affordability is discussed and understood – has a direct impact on how a community response might be implemented. Often, these conversations use unclear language or rely on an incomplete portrayal of what is a complex and multifaceted issue.

For instance, there has been a recent focus on the benchmark price of single detached homes as a critical affordability issue. This framing can leave out other key aspects of housing, such as rising rent costs. Incomplete or vague approaches to defining problems can lead to circular arguments, poorly defined solutions, misplaced priorities, and unnecessary blaming.²⁵

The next sections of this report detail three common aspects of housing affordability that stand out as having incomplete narratives: the use of the phrase 'housing crisis', approaches to rental housing, and how the complexity of supply and demand is applied to the housing system. Through these three examples, it can be seen how an incomplete portrayal could be counterproductive to the process of determining solutions.

HOUSING CRISIS: TERMINOLOGY MATTERS

Growing use of the phrase 'housing crisis' signals the urgency of the situation at hand. It is appearing more often and yet there is no clear sense of what it actually means. A scan through media sources countrywide reveals a polarized debate framed around interpretations of a housing crisis. Many reference this phrase but often without context. We know that the state of affordability has deteriorated. We know how it negatively impacts people and economies. Even if we agree that it's a crisis, this still leaves open the bigger question of working towards a response.

In reality, there is no singular housing crisis – the housing system is complex and involves demand, supply, credit, quality, rentals, design, policy, construction, labour, skills, and more. Any one of these, or all of them, could face a crisis.

Choosing how a situation is defined, understanding the current dilemma, and discussing collaboratively how to respond will help move in a positive direction.²⁶ If the word crisis is going to be used, it needs to be specifically understood and articulated so that the policy response can be clearly crafted.

This process has begun via the Healthy Housing Strategy, Imagine Kelowna, and the 2040 Official Community Plan. Much progress has been made. Yet, there is much more work to be done, particularly given the recent dramatic increases in housing costs.

CHANGING THE CONVERSATION

ASSUMPTIONS ABOUT RENTAL HOUSING CAN HAVE A NEGATIVE IMPACT

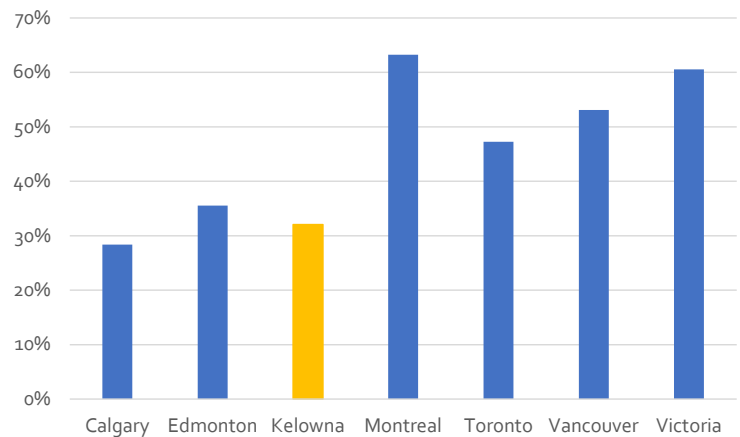
The common idea that renting is temporary is an oversimplification that undermines the importance of the rental housing economy. We know that there will always be a demand for home ownership. There exists, however, a strong bias towards home ownership as the end goal for everyone. Meanwhile, terms like 'social housing' or 'public housing' or even 'affordable housing' often carry a negative connotation.

"In Canada, we favour and subsidize ownership, then make renting pretty miserable. There's this idea that renting is inferior, and materially, it is, because it's neglected." – David Hulchanski, Professor, Housing and Community Development, University of Toronto³²

These assumptions can lead us to overlook the livability components of rental housing, such as quality of design and materials, amenity spaces, and size (i.e.: units for families), and the amount of rental housing we need.²⁷ While it may be true that many aspire to own a home, some may prefer the simplicity of renting. For an increasing number of households, renting is becoming the only option.

Across Canada, demand for rentals has surpassed that of home ownership in the past decade, the first time in 50 years.²⁸ Despite

Proportion of renters in Canadian cities



all of the new purpose-built apartments in Kelowna, the proportion of rental households is still relatively low compared to larger urban centres in Canada (Figure 7). As Kelowna grows and as prices continue to increase, the proportion of renters can be expected to increase.

Experts across the country are calling for policy commitments to deliver rental apartments as a real, long term housing choice, to improve rental stability, mobility, and affordability, and support an increasing proportion of people renting for longer periods of their lives.^{29 30 31} These statistics and ideas suggest giving as much or more attention to rental housing as is given to ownership housing.



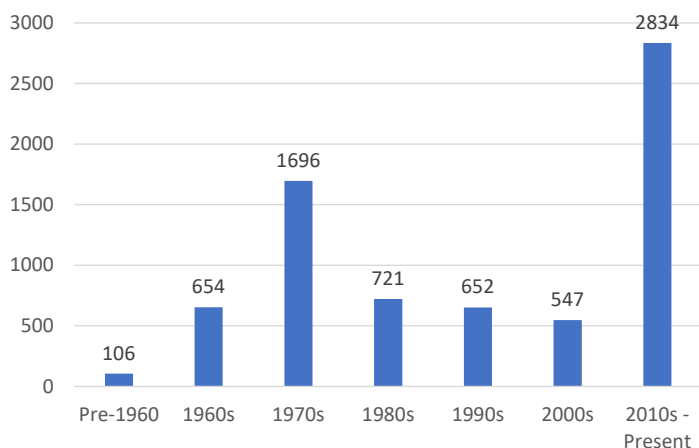
CHANGING THE CONVERSATION

THE IMPACTS OF BOTH SUPPLY AND DEMAND ARE COMPLEX

Opinions on housing can fall on either side of a false dichotomy: that the solution to housing affordability is purely a supply issue or purely a demand issue. This creates one of the most polarizing debates within the housing conversation: whether more supply, and the speed at which it is delivered to meet demand, will resolve our affordability challenges. There are economic arguments on both sides, but fundamentally these two components interact with complex interplay.^{33 34} It would be a skewed oversimplification to suggest that one or the other alone could be a solution.

It is true that faster approvals reduce holding costs and minimize risk. It is also true that there has been an inadequate supply of rental housing, particularly purpose-built, brought to the market.³⁵ ³⁶ As shown below that situation has been recently changing: nearly 40% of the City of Kelowna's current supply of purpose-built rental housing was constructed in the past decade, and hundreds more units are in the approvals and construction stage.

Purpose built rental apartments constructed in Kelowna



Yet statistics show that the new apartments and market rental housing we are building are not affordable to more than half of Kelowna's rental population. Constructing more rental units in the same manner, without other measures, is likely to see this unaffordability trend continue.³⁷

This is not meant to suggest that more supply is unnecessary – supply is continually needed to house the growing population. However, *the right supply provided at the right cost* is necessary to ensure that new housing which is provided aligns with household incomes across the community.

A COMMON UNDERSTANDING HELPS ALIGN GOALS

These three examples show how the framing of conversations about housing affordability can impact the process of considering responses. As such, working collaboratively to clearly understand the challenges that housing unaffordability poses can improve the process of determining solutions.

Many are calling the trend of increasing unaffordability a crisis. If this term is to be used, it is important to understand specifics: a crisis of what, and a crisis for whom. With respect to the other examples, a shift in the focus of supply towards more rentals and improving on providing affordable options will be necessary given that only a small minority of renters in the City can actually afford to purchase a home. Similarly, embracing a holistic understanding of the complexity of supply and demand will be of benefit.

While there will continue to be calls to better address housing unaffordability, an important reminder is that *there is no near-term solution or quick fix to unaffordability*. More new rental housing and other types of affordable units will take years to be brought to market, and policy changes will take years to have an impact on the housing system.



RE-EXAMINING ROLES IN HOUSING

Experts have sounded the alarm that the housing system is out of balance. The inability for a large majority of residents to find suitable and affordable housing in their own city signals a significant problem. The trends provided in this report show that the market is failing to deliver a necessary amount of actually affordable housing. We are fortunate to live in such a popular city, but with that comes the increased challenge of building a housing system that adequately provides supply across the affordability spectrum.

ACTORS IN THE HOUSING SYSTEM

A rethinking of existing policies is underway in senior governments. The commissioning of a panel of housing experts to produce recommendations for policy changes in BC is a recent example. The resulting 'Final report of the Canada-British Columbia Expert Panel on the Future of Housing Supply and Affordability' was released earlier this year and offers bold suggestions to reforming the supply of housing across the province.

"The Province cannot build its way out of the housing crisis on its own. That's why we're bringing together partners from all levels of government, Indigenous organizations, non-profits and the private sector to build the right supply together." - Homes for BC: A 30-point plan for housing affordability in British Columbia⁴²

Provincial legislation was recently passed which is intended to increase housing supply by simplifying the development approvals process. Bill 26 - 2021 allows delegation of development variance permits and removes the need for public hearings for rezonings which are consistent with the OCP, amongst other measures ⁴⁰. This move demonstrates the opportunity the Province has to influence the housing system. Other changes, such as those suggested in the 2019 Development Approvals Process Review, will also still be necessary to improve the housing approval process.⁴¹

The 2018 provincial plan 'Homes for BC: A 30-point plan for housing affordability in British Columbia', quoted above, and ongoing funding opportunities, however, still relies on principles of cooperation and new approaches from the actors in the system.

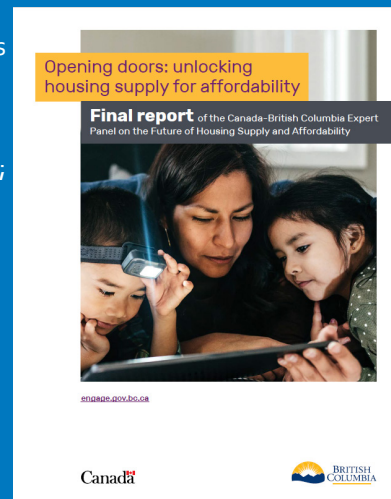
RE-EXAMINING OUR ROLES

Thus, all actors in the housing system – developers, governments, and non-profits - face the challenge of fundamentally re-examining their roles in delivering housing. This involves applying to the housing affordability challenge a renewed commitment of resources and an openness to change.

DEEPER DIVE: THE EXPERT PANEL REPORT

This report is the product of over a year of consultation with more than 100 industry experts across the province. Titled "Unlocking Doors", the report includes 23 specific recommendations organized across 5 categories:

1. Creating a planning framework that proactively encourages housing;
2. Reforming fees on property development;
3. Expanding the supply of community and affordable housing;
4. Improving co-ordination among and within all orders of government; and
5. Ensuring the equitable treatment of renters and homeowners.



The recommendations aim to reduce barriers to bringing supply to market while balancing affordability needs of owners and renters. Recommendations that specifically target local government include expanded use of density bonusing for affordability, suggested improvements to the approval process and the expansion of pre-zoning. Other recommendations which could impact local government include a recommended reform of the public hearing process and development approvals process, changes to requirements of how housing needs reports are prepared, and reforms to how far in advance infrastructure costs are identified, alongside consideration of additional or enhanced funding sources for infrastructure and amenities.

The report was generally well received across the province by industry and local government. Two recommendations from the report which were intended to redirect subsidies currently directed to owners instead towards affordable housing, including the suggestion to repeal the homeowner grant and to revise capital gains taxes on property sales, were immediately disqualified by provincial and federal governments officials. This led to some criticisms from housing industry experts.^{38 39}

The complete report is available at <https://engage.gov.bc.ca/>

RE-EXAMINING ROLES IN HOUSING

THE IMPORTANCE OF PARTNERSHIPS AND COOPERATION

As noted on the previous page, collaboration and partnerships will be needed to address unaffordability. Already, the successful implementation of a number of actions in the City's Journey Home Strategy and Healthy Housing Strategy relied on and were successful because of collaboration.

A great example is the creation of the 21 unit 'Providence Boulevard' project in 2019, which incorporates a combination of 3-bedroom family housing and 2-bedroom below-market units. This was a three-way partnership between the City of Kelowna, BC Housing, and a local non-profit housing provider. The City provided the land, BC Housing provided funding, and the housing provider provided the services of construction and operation to see this project through.

Continuing this approach will be critical to increasing the successful delivery of housing that is more affordable. Research across Canada on the delivery of rental housing found that cities with strong collaboration and partnership practices tended to have more effective and comprehensive approaches. The same research found that there was a need for overlap in vision and goals between government and industry, but there was also a need for very clear roles for each stakeholder.⁴³

Current incentives on offer by the Province and federal government will require this collaboration. An example includes the BC Housing sponsored Affordable Home Ownership Program, a model that relies on a three-way partnership between BC Housing, municipalities and developers. In this case each party makes concessions (typically reduced profit for the developer, municipal concessions such as lower DCCs or parking concessions, and the provision of low interest loans from BC Housing).⁴⁴ This translates into reduced costs for the end developer which are passed on to future tenants. Continuing the practice of partnerships is essential to unlocking funding opportunities such as this as they are made available.



RE-THINKING THE HOUSING SYSTEM

PRECEDENT EXAMPLES TO ADDRESS AFFORDABILITY FROM CANADA AND ABROAD

Recent approaches to addressing affordability illustrate the lengths that some governments are going to, financially and politically, to realize improvements to affordability. Some of these examples involve extensive rethinking of policies and process.

PURCHASING BUILDINGS FOR RENTALS

Purchasing existing buildings for affordable housing is becoming more common. A prominent example is the City of Vancouver recently acquiring numerous former hotels, mostly to be used for below-market rentals. Funds supporting some of these were acquired through the federal governments' Rapid Housing Initiative.⁴⁶ There are other examples of this locally and across the province, such as very recently in Castlegar and Kamloops, to create both market and below-market rental housing.^{47 48}

On the more extreme end, in Berlin, Germany, the municipal government recently purchased nearly 15,000 rental apartment units, removing the units from the private rental market. In a city with a population of 3.6 million, where 83% of residents rent, the protection of affordable rentals is a high priority. In this case, the measure was approved by a non-binding referendum, induced by widespread demonstrations and objections to increasing rents.^{49 50}



REMOVING EXCLUSIONARY ZONING

Sweeping changes to single-family zoning has occurred in American states. In Oregon and California, state legislators are considering or have already passed laws that overrule local governments and permit increased density where single family homes were previously the only allowable form. Supporters say that this will improve access to 'missing middle housing' and improve equity across cities. Criticisms are that simply allowing more density will inflate land prices and not improve affordability, without further mechanisms in place.^{51 52} Either way, by permitting additional dwelling types on more land, the exclusionary nature of single-family zoning is reduced. Policy such as this needs to be crafted with careful consideration of the impacts.

ADDING AFFORDABILITY

Similarly, at the City scale, a recent (2020) regulatory change in Cambridge Massachusetts applied new zoning criteria across the entire city – effectively a density bonus - permitting additional housing units if those units are affordable to those making the median wage or less. This policy change is heralded as 'best in class' for its creation of permanently affordable units alongside an immediate doubling in allowable density.⁵³

Similar policies have been enacted in Portland, Oregon, where single-family homes can be replaced with up to six units on a single lot. Different criteria for rentals and ownership apply to two or three of the units, requiring below market sales or rent, respectively.⁵⁴ The City of Toronto is in the process of developing inclusionary zoning for developments of 100 units or more, which requires up to 10% of units be affordable for a 99-year period (with set rental prices and targeted income ranges).⁵⁵ Both of these zoning amendments reward the inclusion of housing affordability with density.

The impact of these changes on affordability are not yet fully known. The examples do show that the current state of affordability, worldwide, is initiating change. While these changes are in some cases significant and wide-reaching, they often use common policy tools - such as density bonuses and inclusionary zoning. These practices have already been used locally and throughout Canada. Both can be structured so that developer profit is not reduced.⁵⁶ The devil is in the details on such policy development. The specific measures chosen will depend on a significant degree of research, coordination, and collaboration among government, experts, and industry for successful implementation.

RE-THINKING THE HOUSING SYSTEM

RETHINKING APPROACHES TO THE SYSTEM OFFERS POSSIBILITIES

Among British Columbia housing affordability experts, there are calls for more significant push in the co-op and non-profit sectors and a reduced emphasis on for-profit housing.^{57 58} The recent BC expert panel report incorporates a number of recommendations specifically to support this. This guidance is driven largely by the challenges faced by the open market to create housing that meets affordability criteria. Debate over supply and demand aside, the impact of land costs, and profit, in the end-price of housing is significant.

In the quest to provide more affordable options, the cost of construction is far less a problem than that of land.⁵⁹ Research in Vancouver comparing private, for-profit with non-profit development has shown that for-profit rental housing development leads to market rents being upwards of 45% higher as compared to non-profit projects where land is provided at no cost.⁶⁰ The point here is not to suggest that the current system of for-profit housing be replaced, but rather to call attention to the possibility of expanding the development of non-profit housing, with the partnership of both the for-profit and non-profit sectors.

"Ultimately, we need to break away from a dominant mindset that sees private sector property developers as the primary builders of housing." – Mark Lee, Senior Economist, Canadian Centre for Policy Alternatives⁶⁶

There are opportunities to incorporate a blended approach to realize these cost savings, utilizing a cross-subsidy within or between buildings to achieve more affordability in some units. A similar model has been deployed in Vancouver, called the Land Trust Model. It uses multiple sites on City-owned land which combine rental types to cross-subsidize between market and below-market rentals.⁶¹ Ideas such as this can encourage big thinking about how all actors in the housing market can explore new roles and opportunities that will enable us to tackle affordability challenges in different ways.

It is possible to do the same in Kelowna. A recent UBC study, focused specifically on Kelowna, discussed the potential for the development of housing on undeveloped public (or non-profit) owned lands. The study found many parcels that were vacant or used solely for parking. The report suggests further analysis of these lands, to explore the possibility of developing, where feasible, to the higher and better use of housing. As there would be no acquisition costs, such development could take advantage of the opportunity to translate cost savings and into a variety of housing affordability



options.⁶² In theory, this could be rental housing on land still owned by the City. Again, partnerships would be key.

The cooperative housing model - which in part takes land out of the equation - has a renewed interest in Canada. Grant and loan commitments in the National Housing Strategy are available to finance new co-op housing. Co-ops typically operate as non-profits, with some structured to have equity shares, and can offer affordability that comes with secure tenure and a stake in co-op self-governance. Because they operate at cost, over time they are usually much more affordable than similar market units.⁶³ The majority of existing co-ops in Canada were built from the 1970s to the mid-1990s using federal grants and federal/municipal land. In BC, there are 275 coops. Two are in Kelowna, with a total of 92 units.⁶⁴

Several new co-ops have been recently constructed in the Lower Mainland using municipal land or land provided by trusts. The Vancouver examples were a joint creation by the Co-op Housing Federation of BC (CHF-BC), federal and provincial and municipal governments, a non-profit housing provider and a land trust. The CEO of CHF-BC described them as *"...a story of partnerships. The result is unique because it combines the strengths of multiple sites, investors and partners in a portfolio that maximizes economies of scale and long-term affordability."*⁶⁵



CONCLUSION

THE PATH FORWARD

in BC in 2021 there have been multiple crises: a heat wave, fires, flooding, crippled transportation infrastructure, an ongoing pandemic, social unrest, and thousands of overdose deaths. Housing affordability could easily be lost to these immediate and pressing issues, but it is no less important.

This year's Trends Report has explored what unaffordability looks like in the community and how it is reflected in media and research sources across the country. The report's content reflects what can be polarized views within broader national housing conversations but it also captures promising insights and progressive concepts from across the globe to inform and influence future local actions.

The intent is to add clarity to conversations about housing and to propel our community towards collaborative solutions. By acknowledging that there is no singular solution to housing affordability, and by challenging assumptions, the report attempts to make room for some alternative considerations for what housing affordability, housing policy, and the housing system can look like. All of this can build on the successes already seen from implementing the Journey Home and Healthy Housing strategies.

Kelowna is at a crossroads. Further unaffordability will have serious consequences. Repeating the same methods of delivering housing - with the same view of the system, the same roles, and the same resources - is likely to continue to deliver the same challenges. While federal and provincial governments have committed to changes and to providing significant funding towards new housing, the role of regulating housing and land use still falls with local government. As a result a large part of the responsibility for taking action on affordability also falls to the local scale - municipal government and the home building industry - to deliver housing that is actually affordable. This means assuring the right supply at the right price in the right location.

All of this together is likely to challenge ideas around housing delivery and may push towards a rethink of the housing system. Some of the beginnings of this will involve shifting the focus from sales prices to affordability, undertaking alternative models of delivering housing, while taking bigger steps to scrutinize what can be done to improve the gap in affordability between renters and owners.

In 2022, the City will be undertaking a new Housing Needs Assessment as required by the province. Following that, an update to the Healthy Housing Strategy will begin. Other initiatives that are underway are ongoing rental-incentives, implementation of the Affordable Housing Land Acquisition Strategy and a variety of infill options being developed. These processes present opportunities to incorporate these examples into a renewed approach and change the state of affordability.

Endnotes

- 1 Alinie, Erica. 2021. Global News. "Cheap money, shortages, investors and crime: The making of Canada's housing crisis." <https://globalnews.ca/news/8133853/canada-election-housing-crisis-explained/>
- 2 City of Kelowna. 2020 Citizen Survey. <https://kelownapublishing.escribemeetings.com/filestream.ashx?DocumentId=29522>
- 3 Statistics Canada. 2021. "Consumer Price Index – August 2021 (The Daily)." <https://www150.statcan.gc.ca/n1/daily-quotidien/210915/dq210915a-eng.htm?HPA=1>
- 4 Association of Interior Realtors. November 2021 Summary Statistics <https://www.interiorrealtors.ca/files/NOVEMBER%202021%20Media%20DATA%20RELEASE.pdf>
- 5 CMHC. September 2021 Housing Market Assessment. <https://www150.statcan.gc.ca/n1/daily-quotidien/210915/dq210915a-eng.htm?HPA=1>
- 6 Zumper. October 2021 Canadian Rent Report. <https://www.zumper.com/blog/rental-price-data-canada/>
- 7 Walker, Chris. 2021. CBC News. "Kelowna real estate boom forcing some renters out of longtime homes". <https://www.cbc.ca/news/canada/british-columbia/kelowna-real-estate-boom-renters-1.6048544>
- 8 Urban Reform Institute & Frontier Centre for Public Policy. 2021. "Demographia International Housing Affordability 2021 Edition." <http://www.demographia.com/dhi.pdf>
- 9 BC Assessment Authority 2021 Sales Data, all residential types, as of October 13, 2021.
- 10 BC Non Profit Housing Association. (n.d.) "Canadian Rental Housing Index." <http://www.rentalhousingindex.ca/en/#intro> (Note: Statistics are based upon 2016 census data and will change when 2021 Census data is made available.)
- 11 Zumper. "Canadian Rent Report." <https://www.zumper.com/blog/rental-price-data-canada/> Retrieved October 16, 2021.
- 12 Knew Realty Research. 2021.
- 13 Royal Bank of Canada. 2021. "Are Canadians dreaming of owner a home? It's complicated: RBC Poll"
- 14 Statistics Canada, Canadian Income Survey 2012-2019, Survey of Labour and Income Dynamics 2006-2011
- 15 Kershaw, Paul & Eaves, Sutton. 2019. "Straddling the Gap: A troubling portrait of home prices, earnings and affordability for younger Canadians." Generation Squeeze.
- 16 Assumes a household saves 15% of their before tax income
- 17 BC Assessment Authority 2021 Sales Data, all residential types as of October 13, 2021
- 18 Shows median income for the Kelowna Census Metropolitan Area (which includes portions of West Kelowna and Lake country. Median income by renter/owner was not available for Kelowna City. Incomes for Kelowna City tend to be lower than CMA
- 19 Gold, Kerry. 2021. A search for more than band-aid housing solutions. The Globe and Mail. <https://www.theglobeandmail.com/real-estate/vancouver/article-a-search-for-more-than-band-aid-housing-solutions/>
- 20 CMHC. 2021 "The housing observer: 2020 Rental Market Report" <https://www.cmhc-schl.gc.ca/en/blog/2021/2020-rental-market-report>
- 21 Claveau, Jeannine. 2020. "The Canadian Housing Survey, 2018: Core housing need of renter households living in social and affordable housing." Statistics Canada. <https://www150.statcan.gc.ca/n1/pub/75f0002m/75f0002m2020003-eng.htm>
- 22 Central Okanagan Foundation. 2020. Point in Time Count, Kelowna, British Columbia. https://www.homelesshub.ca/sites/default/files/attachments/COF_PiT_Report_2020_R7.pdf
- 23 Ruttan, Craig, German, Michelle, Simovic, Vickey. (n.d.) Housing a Generation of Workers. Toronto Region Board of Trade. <https://workforcehousing.trbot.ca/makingthecase/>
- 24 Montgomery, Charles. 2017. Will Vancouver's ambitious new housing strategy make the city healthier and happier? Happy City. <https://thehappycity.com/will-vancouver-ambitious-new-housing-strategy-make-the-city-healthier-and-happier/>
- 25 White, Iain. 2020. "Housing crisis? What crisis? How politicians talk about housing and why it matters." The Conversation. <https://theconversation.com/housing-crisis-what-crisis-how-politicians-talk-about-housing-and-why-it-matters-128861>
- 26 McCartney, Shelagh, and McKay, Michael. 2019. "What is Measured Defines the Crisis." Plan Canada. Volume 59, No 3, pp 51 – 53.
- 27 Roy, Kishone. 2017. Make Housing Central: British Columbia and the Affordable Housing Crisis. Indyhan Books
- 28 Cheung, Christopher. 2017. "Why the struggle of renters is Canada's 'Ultimate Housing Problem' The Tyee. <https://thetyee.ca/News/2017/05/26/Renter-Struggle-Ultimate-Housing-Problem/>
- 29 Dingman, Shane. 2018. Canada's rental housing growth outstrips home ownership. The Globe and Mail. <https://www.theglobeandmail.com/real-estate/the-market/article-demand-for-rental-housing-in-canada-now-outpacing-home-ownership/>
- 30 Keesmaat, Jennifer. 2019. "Canada's housing market – built on faulty assumptions – Is falling down on affordability." The Globe and Mail. <https://www.theglobeandmail.com/opinion/article-canadas-housing-market-built-on-faulty-assumptions-is-falling/>
- 31 Lee, Marc. 2021. Big ideas on the supply side of housing affordability. Policy Note. <https://www.policynote.ca/housing-affordability/>
- 32 Kershaw, Paul & Eaves, Sutton. 2019.
- 33 Pomeroy, Steve. 2016. "Optimizing Demand and Supply side Housing Assistance Programs - A Background Brief." Carleton University. http://www.focus-consult.com/wp-content/uploads/Policy-Brief_Optimizing-Supply-and-Demand-Measures-2016.pdf
- 34 CMHC. 2019 "Research Insight: Demand or Supply Side Housing Assistance." <https://www.cmhc-schl.gc.ca/en/professionals/housing-markets-data-and-research/housing-research/research-reports/accelerate-supply/research-insight-updating-debate-between-demand-supply-side-housing-assistance>
- 35 CMHC. 2019.

Endnotes

- 36 Waters, Wendy. 2019. "In Toronto and Vancouver, the rental housing shortage is more acute than previously thought." GWL Realty Advisors. https://www.gwlrealtyadvisors.com/research_report/in-toronto-and-vancouver-the-rental-housing-shortage-is-more-acute-than-previously-thought/
- 37 Steele, Marion and Tomlinson, Peter. 2010. Increasing the affordability of rental housing in Canada: An Assessment of Alternative Supply-side Measures." University of Calgary School of Public Policy Research Paper. Volume 3, issue 2. <https://journalhosting.ucalgary.ca/index.php/sppp/article/view/42339/30224>
- 38 Lee, Mark. 2021.
- 39 The Globe and Mail Editorial Board. 2021. "How politics is worsening the housing crisis." The Globe and Mail. <https://www.theglobeandmail.com/opinion/editorials/article-how-politics-is-worsening-the-housing-crisis/>
- 40 Government of BC. 2021. "Province gives local government more tools to increase housing." Municipal Affairs News Release. <https://news.gov.bc.ca/releases/2021MUN10061-002035>
- 41 Government of BC. 2019. Development Approvals Process Review. https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/local-governments/planning-land-use/dapr_2019_report.pdf
- 42 Government of BC. "Homes for B.C.: A 30-point plan for housing affordability in British Columbia." P.26. https://www.bcbudget.gov.bc.ca/2018/homesbc/2018_homes_for_bc.pdf
- 43 Thomas, Ren. 2019. "Rental Housing Approaches Across Canada." Plan Canada, Vol.59 No.30, pp.16-18.
- 44 BC Housing. 2019. "Affordable home ownership - program framework." <https://www.bchousing.org/publications/Affordable-Home-Ownership-Program-Framework.pdf>
- 45 Tranjan, Ricardo. 2021. "Fact Check: Affordable rental housing isn't affordable." CCPA The Monitor <https://monitormag.ca/articles/fact-check-affordable-rental-housing-isnt-affordable>
- 46 Little, Simon. 2021. Vancouver buys Best Western hotel to add to social housing roster. Global News. <https://globalnews.ca/news/7766297/vancouver-kingsway-hotel-homeless/>
- 47 City of Castlegar. 2021. "Putting Plans into Action – City Purchases Vacant Downtown Building." <https://www.castlegar.ca/news/city-purchases-vacant-downtown-building/>
- 48 City of Kamloops. 2021. City of Kamloops Makes Historic Investment in the Tranquille Market Corridor." <https://www.kamloops.ca/our-community/news-events/news-releases/city-kamloops-makes-historic-investment-tranquille-market>
- 49 Rogers, Iain and Cantrill, Aggi. 2021. "Berlin Buys Apartments for \$2.9 Billion to Quell Housing Anger." Bloomberg. <https://www.bloomberg.com/news/articles/2021-09-17/berlin-buys-vonovia-deutsche-wohnen-apartments-for-2-9-billion>
- 50 Mazhar, Mehek. 2021. "Berlin residents to vote in referendum on seizing rentals from corporate landlords." CBC Radio – As it Happens. <https://www.cbc.ca/radio/asithappens/berlin-residents-to-vote-in-referendum-on-seizing-rentals-from-corporate-landlords-1.6185423>
- 51 Anderson, Michael. 2019. "Oregon just voted to legalize duplexes on almost every city lot." <https://www.sightline.org/2019/06/30/oregon-just-voted-to-legalize-duplexes-on-almost-every-city-lot/>
- 52 Hamilton, Emily. 2018. "Is inclusionary zoning creating less affordable housing?" Strong Towns. <https://www.strongtowns.org/journal/2018/4/10/is-inclusionary-zoning-creating-less-affordable-housing>
- 53 Condon, Patrick. 2021. "Sick City: Disease, Race, Inequality and Urban Land." pp.112-119
- 54 Anderson, Michael. 2020.
- 55 City of Toronto. 2021. "Report for Action to Planning and Housing Committee: Inclusionary Zoning Official Plan Amendment, Zoning By-law Amendment and Draft Implementation Guidelines." <https://www.toronto.ca/legdocs/mmis/2021/ph/bgrd/backgroundfile-172118.pdf>
- 56 Condon, Patrick. 2021. pp. 108 - 109
- 57 CBC News. 2021. "Housing shaping up to be a top issue in federal election. On The Coast with Gloria Macarenko. <https://www.cbc.ca/listen/live-radio/1-46-on-the-coast/clip/15862847-housing-shaping-top-issue-federal-election>
- 58 Cheung, Christopher. 2021. To Ease Housing Crisis, BC Is Largely Looking to Developers as Partners. The Tyee. <https://thetyee.ca/News/2021/04/20/Housing-Crisis-Developers-Partners/>
- 59 Condon, Patrick. 2021. pp. 96
- 60 Lee, Marc. 2021. "How to build affordable rental housing in Vancouver." Policy Alternatives. https://www.policyalternatives.ca/sites/default/files/uploads/publications/BC%20Office/2021/03/ccpa-bc-Affordable-Housing-March2021_report.pdf
- 61 Cheung, Christopher. 2021
- 62 BC Housing. (n.d.). "Vancouver - Land Trust Model." <https://www.bchousing.org/projects-partners/development-projects/vancouver-land-trust-model>
- 63 Whitzman, Carolyn; Gurstein, Penny; Jones, Craig; Flynn, Alexandra; Sawada, Michael; Stever, Rory; Tinsley, Mikayla. 2021. "Housing Assessment Resource Tools." Housing Research Collaborative, UBC. <https://housingresearchcollaborative.scarp.ubc.ca/files/2021/09/HART-First-stage-Final-Sep-20-21.pdf>
- 64 Co-operative Housing Federation of Canada. (n.d.). "About Co-op Housing." <https://chfcanada.coop/about-co-op-housing/>
- 65 Co-operative Housing Federation of BC. (n.d.). "Find a Housing Co-operative." <https://www.chf.bc.ca/find-co-op/>
- 66 Co-operative Housing Federation of BC. 2016. "New co-op part of affordable housing launch in Vancouver." <https://www.chf.bc.ca/new-co-op-part-affordable-housing-launch-vancouver/>