What We Heard

Interim report of the Canada/British Columbia Expert Panel on the Future of Housing Supply and Affordability



This report aims to reflect the essence of the ideas and perspectives raised during the Panel's engagement sessions and from online survey results. It does not attempt to include every comment received and does not intend to imply consensus on the part of participants. It presents a summary of what was heard from participants.

engage.gov.bc.ca





BACKGROUND

Housing in many British Columbia markets is unaffordable, causing hardship for a growing number of residents, contributing to a widening wealth gap and constraining economic opportunities. Home prices are out of reach for many households and rental supply is inadequate to accommodate demand, particularly for limited income households. New condominium construction is replacing more affordable, older rental housing adding to the shortage of affordable housing. Affordable housing supply is not keeping pace with demand which is further contributing to high housing costs.

The governments of Canada and British Columbia together established the Expert Panel on the Future of Housing Supply and Affordability to address this problem. Our goal is to develop actionable recommendations to increase the supply of housing and improve affordability.

Given what we are hearing in our discussions with stakeholders we are focussing on three key areas:

- Governance, or the way in which governments control or influence the supply of housing,
- The diversity of housing for all income levels and tenures, and
- Accelerating and adding certainty to the process for adding new supply.

All orders of government play a role in housing. The federal government regulates the market and banking sectors and sets national tax policy. It has spending powers allowing it to develop robust national programs. The federal government also oversees the National Housing Strategy and Canada Mortgage and Housing Corporation (CMHC). The province also has spending powers allowing for the development of provincial programs and it oversees BC Housing. The province also sets the roles and responsibilities of municipal governments across British Columbia. This includes how cities implement their land use planning.

Land use planning plays a significant role in controlling the supply of housing and the speed at which new supply can enter the market. The more restrictions put on land, the less building occurs, which affects home prices. However, fiscal constraints limit cities' ability to act and they will often rely on the land use planning system to overcome this challenge by generating revenue through the fees and levies charged to issue rezoning, development, and building permits.

The land use planning process also provides citizens with opportunities to provide input on new development based on both real and perceived impacts. The democratic process is important, however relying on public hearings alone to meet democratic objectives privileges certain voices over others creating a perception of majority opposition, especially when the citizen voices able to participate in the process generally lean towards those opposed to a development. This opposition places political pressure on elected officials when determining approvals. This influence increases, as those who support development often do not attend public hearings to voice their opinions. As a result, the land use planning system stifles new housing supply in two ways: first by restricting growth through lengthy, uncertain and costly processes and second by allowing anti-development interests to apply political pressure on decision makers.

Other pressures on home prices exist within British Columbia's urban housing markets. These include the increasing use of homes as a financial asset, including for speculative and money laundering purposes, as opposed to something we use to meet our needs. However, there is limited data to assess the impacts these pressures are having on the housing market. What we do know is that the negative effects these activities create amplify with supply constraints. Barriers to housing supply remain one of, if not the most important, factors in driving up home prices.

Recognising that the supply of housing, especially rental housing, is limited in British Columbia's urban centres and that we need fundamental change in the way we manage housing supply, the Panel embarked on a series of panel and interview sessions in January 2020. Through these sessions, we are meeting with subject matter experts, housing advocates, providers, and municipal leaders (hereafter collectively referred to as stakeholders) across British Columbia's urban centres. To ensure we also hear from as many British Columbians as possible, we simultaneously launched an online survey to garner additional feedback. The following pages contain the findings from these meetings and the online survey. The Panel's recommendations will be included in the final report to be released in early 2021.

HOW COVID-19 IMPACTS OUR WORK

Like the rest of the world, we face the impacts of the ongoing pandemic. These unprecedented times have led to changes in how we carry out our mandate. Most notably our in-person consultations have shifted to online tele-conferencing. We also extended the deadline for our online survey. While these changes shift the way we work, our mandate and commitment to report back remain the same.

Now more than ever we see the need for secure. affordable housing. The underlying structural factors that created our affordability challenges have not changed with the emergence of the COVID-19 pandemic and we therefore need to remain focused on these challenges. While short run demand for new homes may drop, we remain focused on the need in the medium and longer term to improve the supply and affordability of housing for British Columbians. We are also aware that these uncertain times may change patterns of population growth in our urban regions but we also believe that some of these patterns are temporary and that the strain on our housing system will continue to be a significant issue in the province. We must remain focused on the structural causes of the housing crisis to fully address them and not simply continue to rely on temporary Band-Aid solutions.

THE PANEL



Joy MacPhail (Chair) Chair of ICBC and an owner of OUTtv



Jill Atkey CEO of BC Non-Profit Housing Association



Jock Finlayson
Executive Vice President
and Chief Policy Officer
at the Business Council of BC



Brian McCauleyPresident and CEO
of Concert Properties



Sue Paish CEO of Canada's Digital Technology Supercluster



Helmut PastrickChief Economist for
Central 1 Credit Union

THE SESSIONS

We began meeting with stakeholders in January 2020. Input is coming from a variety of vehicles allowing us to hear from a broad cross section of interested, affected, and informed parties in addition to receiving input from experts in housing supply. We held interviews and roundtable discussions to focus on the three largest urban centres in British Columbia Vancouver, Victoria, and Kelowna. The conversations in these sessions centre on a series of broad themes including:

- · Policy Challenges,
- · Construction Challenges,
- · Rental Supply,

- · Unwarranted Demand,
- · Urban Development,
- Job Creation and Recruitment,
- · Housing Affordability,
- · Generational Housing, and
- Opportunities for Indigenous Housing Providers.

STAKEHOLDERS WHO SHARED THEIR OPINIONS

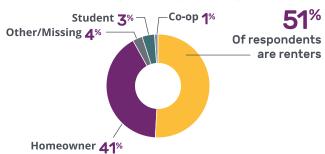
In all, we met with more than 100 stakeholders. Although there is not representation of every group at each discussion, we were able to gather the information and knowledge from these sessions into a coherent and complete perspective representative of the broader population of British Columbians and especially those impacted by this housing crisis. Those we met with include:

- · Affordable and non-profit housing providers,
- · Academic Experts,
- Financial Institutions.
- · Homebuilders and Developers,
- Tenant and Housing Advocacy Organisations,
- Employers,
- · Public Servants, and
- Elected Officials.

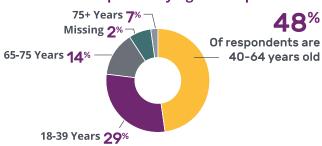
SURVEY RESPONDENTS

In addition to the above and in order to provide the opportunity for as many British Columbians as possible to provide input, we launched an online survey on our website engage.gov.bc.ca/housingaffordability. The survey ran from January 22nd to June 26th, 2020. In total, we have over 2,000 responses to our survey. We present statistics related to respondent demographics below (and a complete breakdown of the online survey responses can be found here or at engage.gov.bc.ca):

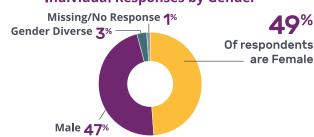
Individual Responses by Housing Tenure



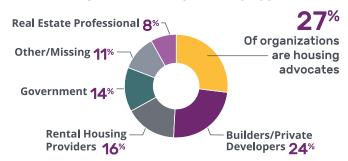
Individual Responses by Age of Respondent



Individual Responses by Gender



Organization Responses by Type

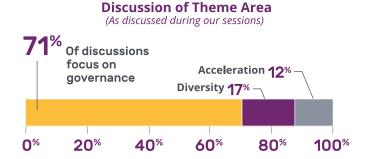


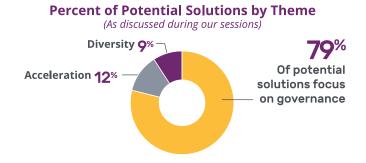


FINDINGS: SESSIONS AND SURVEY RESPONSES

Throughout our sessions and in the survey responses, three key themes emerged. The first of these is governance; the second is diversity in housing; and thirdly, the acceleration and certainty of new supply. While remaining cognizant of the root causes our focus is on finding solutions to the crisis.

The biggest challenges our urban centres face are issues of governance. This topic dominated both the discussions and the potential solutions brought to us (a complete list of the ideas we heard are in Appendix I). We explore these themes and the recommendations brought forward to us in detail below. This discussion will guide the development of our future recommendations.¹





¹ These are not the Panel's recommendations but are some of the more common ideas brought forward during our consultations.

GOVERNANCE

The issue of governance focuses on how governments, the private, and non-profit sectors work together, or in some cases against one another, to achieve their individual goals. It is about the rules that influence the housing market, the taxes we charge, and the incentives in place. It also encompasses how we zone land and build our infrastructure. Leadership also plays a key role in governance. This leadership takes two forms including the leadership required to make contentious political decisions and the ability for one government to provide 'political cover' to another for unpopular decisions that are for the good of the community.

"The political cover is the most important thing to provide right now."

- Session participant

Like all aspects of the housing market, there is a role for all orders of government to play in improving governance. A consistent theme for all orders of government is the implementation of conflicting goals and priorities relating to housing. This is true both within and between orders of government. There is a need to recognise this conflict and drive alignment between goals and priorities of different orders of government. This also means trade-offs knowing that, for example, increasing environmental regulations to stem climate change can and does lead to higher housing costs. Any trade-off made for or against housing affordability needs to be informed.

"The province needs to set a standard for the development permit application process and force municipalities to cut the red tape and move forward with projects quicker, all levels of government keep saying we're in a housing crisis and yet they all act & respond as if we have years to sort it out."

- Online survey respondent



For the federal government, many of the ideas focus on spending powers. A common recommendation we hear is that the federal government should put conditions on transit infrastructure funding ensuring that all federally supported projects come with an associated increase in housing both in terms of the number of units and density. Other suggestions focus on finding ways for federal support for housing projects to flow more freely. Specifically, we continue to hear about the long and complicated application processes for CMHC programs. Beyond this, despite programs such as CMHC's Rental Construction Financing, many housing providers continue to seek a GST exemption for purpose-built rental projects.

"[The] public sector should play a bigger role in this, like they have in the past."

- Session participant

The province can play a key role in governance too. Many of those we spoke with highlight the need for the province to be more assertive. Put another way, we are hearing that the province needs to take a "carrot and stick" approach to housing and municipalities. There is a theme that the province needs to put "teeth" into legislation governing municipalities, housing, and land use planning. Provincial jurisdiction gives the province a variety of levers it can pull on to address the housing crisis in a variety of areas, including eliminating single-family zoning, reducing the need for public hearings on zoning matters, mandating municipal housing targets, setting clear and consistent requirements for the use of development charges, and aligning transportation networks with housing growth targets. The municipal leaders we spoke with also highlight that if the province were to grant municipalities additional revenue generation tools, they will be able to relax development cost charges reducing the impact on new housing.

"General planning in this region is broken."

- Session participant

Municipalities themselves garner the most attention for their land use zoning processes. Cities may upzone their single-family areas, pre-zone specific areas to increase density, and/or align higher zoning within transportation corridors. However, this presents challenges reducing their ability to raise necessary revenue and increases political pressure on elected Councils. In response to this, cities can raise property taxes to encourage development on underutilised sites, and their Councils can stand up to the not-in-my-backyard (NIMBY) movement.

"Property tax reform needs to be on the table."

- Session participant

DIVERSITY

We are hearing that there are three aspects to diversity in housing markets: the first is the importance of a mix of housing tenures supported by a tenure neutral policy mix – policies that do not favour ownership over rental or vice versa. The second is diversity in housing types. We are hearing about the need to create a mix of housing units in size, form, and function for all tenures and household types with an emphasis on lower to middle income levels. Thirdly, we need to diversify the delivery of housing allowing more organisations (i.e. non-profits, social REITs, co-operatives, etc.) to participate in the supply of housing.

We can no longer rely predominantly on single-family detached housing to meet our needs. We need housing that is attainable by all income earners; housing that meets the needs of shifting demographics; and housing that ensures a sustainable future.

"1. Build more purpose built rental units 2. ReZone single family neighbourhoods to allow for more density 3. Freeze rent increases until the housing crisis is solved."

- Online survey respondent

For the federal government this means supporting renters in equal measure to owners. Some suggested this can be in the form of changes to the capital gains exemption on principal residences or the introduction of a tax deduction based upon rent paid. It can be the introduction of a GST exemption on purpose-built rental or by increasing fiscal support to alternative housing providers and the non-profit sector.

"The rental market has not been well taken care of."

- Session participant

The province can also increase its fiscal support to housing providers encouraging rental construction. The province can reform tenancy laws to ensure long-term security. Alternatively, to promote the economic

viability of rental projects the province can eliminate rent control on new projects gradually bringing it in over time. Finally, the province can increase the incomes of people who are vulnerable to help them afford housing that meets their needs.

Municipalities can look to utilise the zoning tools they have to increase the diversity of housing types within their jurisdictions. They can drive decisions to support appropriate transportation systems to serve new communities. They can also waive fees or cut down the application process for certain developments.

"Change is necessary for the survival of a city."

- Session participant

ACCELERATING SUPPLY AND CREATING CERTAINTY

Accelerating how long it takes new supply to reach market and increasing the certainty in the approvals process is our final thematic area. This issue comes up with everyone we meet. Projects will often find themselves stuck for years in the approvals process. Such delays increase risks, creates uncertainty in the process, and increase costs. Technology, specifically the adoption of new materials and building techniques, as well as skills shortages also add to the slowdown of new supply.

For the federal government, potential policy responses are more limited in this field. However, it can increase fiscal transfers to municipalities to eliminate the need for these jurisdictions to charge development costs or seek community amenity contributions. Alternatively, it can collaborate with cities to build the necessary infrastructure to support new housing to ensure a continuous supply of developable sites. The federal government can also look to address gaps in the national building code to support different types of construction and new technologies. Finally, the federal government may be able to promote accelerated growth of a skilled workforce through immigration policy to help create a pool of skilled talent in the province to build the necessary housing.

"Build, build and build some more. Reduce the costs to build wherever possible, including the streamlining the process, shortening timelines and look for opportunities to house labour that we so desperately need to complete these projects."

- Online survey respondent

For the province, as mentioned earlier, granting municipalities new revenue tools can eliminate the need for development cost charges and the extraction of negotiated community amenity contributions prior to development approvals. The province can also streamline the approvals process by adapting the recommendations of the Development Approvals Process Review (DAPR) and by reducing the requirements for public hearings during individual project re-zonings. Like the federal government, the province can also streamline the provincial building code to reflect modern realities and reduce the additional layer of regulatory approval this code creates.

"DAPR is one of the best things to come out of a provincial consultation. It is a watershed document."

- Session participant

Municipal governments also have a large role to play in delivering better governance over housing supply. They need to make their processes more transparent and predictable. Development cost charges (DCC's) and community amenity contributions need to be standardised and not determined on a project-by-project basis. Cities can also increase capacity to speed the development approval process. They can use the tools available to them more efficiently, for instance using the Official Community Plan to re-zone lands can mean that projects in compliance will not require a public hearing, thereby increasing both speed and certainty of the delivery of new supply. Communities also need to embrace technology and other methods to make public hearings or other vehicles more

representative of the community at large and not just a sounding board for the 'NIMBY' perspective. Municipalities need to show leadership and stop pitting "current residents against future residents."

"Limit triple digit DCC increases, disallow double dipping eg DCC's for parks and at the same time municipal demands for green space from the same development – should be one or the other, expedite development applications and building permits by implementing a deadline with penalties for the municipality."

- Online survey respondent

NEXT STEPS

Our next steps include continuing our conversations with stakeholders and seeking responses from additional online surveys. This allows us to focus on the three key areas of governance, diversity, and the acceleration of new supply, all requiring fundamental change to address British Columbia's housing crisis. We will also continue conducting research into these themes. All of which will guide the development of our recommendations that we will present to the Governments of Canada and British Columbia by the end of 2020.



APPENDIX I

The table below highlights specific ideas we heard through our panel discussions and interview sessions. We group these ideas according to the three themes above and by the order of government that will be responsible for them. These are not our recommendations but simply the ideas brought forward to us.

Theme: Governance

Order of Government	Idea
Federal	Regulate and monitor short-term rentals.
	Increase data collaborations between all orders of governments. Make Statistics Canada data available to municipalities for informed policymaking.
	CMHC should bring back the housing outlook reports for smaller urban centres.
	Federal funding should go straight to the municipalities and not through the province.
	The federal government should increase incentives in providing housing, especially rental.
	Create a renters rebate.
	Reduce and streamline the burdensome application process to CMHC funding programs.
	Implement a rent deduction from income.
	Eliminate or rebate GST on new rental projects indexed to local markets.
	Revisit the GST/PST rebate on new homes.

Order of Government	Idea
Provincial	The province should amalgamate its urban regions or dictate an increased level of cooperation among member municipalities in these regions.
	Create a collective agreement on the number of homes needed and then divide that geographically with sticks and carrots to achieve the targets.
	More centralisation/top down governance can be beneficial.
	Need a regional or municipal body that can step in and take action on issues of zoning.
	The current system sets up conflict points; the province can reform this. Citizen juries or more outreach can help with these challenges.
	The province needs to follow up on enacted legislation and guidelines to ensure compliance.
	The province needs to enforce and hold cities to account for their population targets and housing needs assessments. Ensure cities commit to and deliver on targets.
	Allow for batch pre-zoning with conditions to allow municipalities to extract necessary amenities and/or infrastructure costs from new projects.
	Use either a targeted or a blanket approach to up-zoning cities.
	The province should add as of right zoning to existing single family zoning allowing for a gentle increase in density without the need for re-zoning.
	Establish automatic zoning triggers (i.e. if the value of the land reaches a certain threshold there is an automatic increase in allowable density).
	Pre-zoning imposed by the province can overcome many of the challenges in the housing market.
	There is no point in planning if every project has to go through re-zoning and when re-zoning is a revenue generation tool for municipalities.
	Have BC Housing purchase pre-sale units as a way of ensuring purpose-built rental.
	Bring back Long-term mortgages through BC Housing to support purpose built rental.

Order of Government	Idea
Provincial	Expand the revenue generation tools available to municipalities.
	Make the Development Cost Charges guidelines mandatory.
	Allow for permissive tax exemptions on residential projects similar to what is currently available to commercial and industrial projects.
	We need to tax vacant rental units, this is housing that can be used or the site can be redeveloped. The City [of Vancouver] owns many of these lots. The City should be required to redevelop these lots or sell them for redevelopment.
	Implement speculation and vacancy caps.
	Create transit authorities in all the major urban regions and allow them to ensure the appropriate zoning accompanies the major transportation corridors.
	Need an affordability ombudsman to adjudicate between differing government departments when conflicting goals and priorities emerge.
	Motivate municipalities to act in the best interest of housing supply and affordability by providing financial incentives to do so.
	There is precedent for top-down leadership to change regulations and we need this in relation to housing. Once a door is open, action is much quicker.
	The province needs to be more involved and use its authority. We need provincial intervention in the housing markets. We need legislation to ensure adequate zoning is in place on an ongoing basis. This zoning needs to ensure that land has appropriate zoning and is construction ready with the necessary approvals already in place.
	The province needs to introduce housing targets with a combination of carrots and sticks to force quick action by the cities.
	The province needs to establish housing and density quotas for cities.
	The province needs to give clear orders to municipalities to build 'X' number of housing units by 'Y' date.
	The province has to follow up when it takes action; it has to be more forceful in overseeing the direction it sets.
	The province should fund an independent body to review the concerns raised at public hearings regarding projects to determine if these concerns ever materialised with project completion.

Order of Government	Idea
Municipal	Need a housing authority with a clear mandate and the appropriate expertise in place.
	Need to implement the recommendations from the [Vancouver] Mayor's Task Force on Housing Affordability.
	Auction density rights with the money collected going to nearby homeowners to compensate for any negative effects (perceived or real) from the sale of said rights.
	Selling of density rights (as a different form of density bonus with pre-zoning) can increase the revenue base for municipalities. The market will determine the price with the cities setting quantity targets.
	Build a model of density auctions based upon the Netherlands approach with mandated minimum number of housing units on sites auctioned by government to private developers.
	Undo the apartment ban.
	Up-zone single-family developments to multi-units.
	Up-zone single-family and duplex sites to tri- and four-plex.
	Move to a form based zoning away from use based.
	Eliminate minimum parking requirements.
	We need to ensure diversity among housing types and units that we are building. We cannot scale up with just studio apartments; we need units that can house families of varying sizes and composition.
	Allow for smaller and more units on standard lots following the type highlighted by Small Housing BC.
	Calculate the Development Cost Charges on a square-foot basis.
	Need to shift our property taxes from buildings to land.
	Waive permit fees on affordable housing projects.
	Base property taxes on living space.
	Phase in any changes to property taxes over an extended period.
	Property taxes should only fund municipal services.
	New homebuyers should not fund new infrastructure and amenities; this is creating a first mover disadvantage in a community, as that developer will have to fund all the amenities and infrastructure required for all development.

Order of Government	Idea
Municipal	Development charges need to be certain and not ad hoc in nature. They should be determined at the outset of a project not mid-stream.
	We need to rethink how we fund transit. It is in the developers' best interest to have transit serving new communities.
	De-link parking requirements from affordable housing projects.
	Cap the number of parking stalls in any project that receives government funding.
All	Create or amend policy to allow non-profits to be more dynamic and flexible allowing them to be proactive and not operate on a project-by-project basis. Find ways to increase their financial and capacity independence.
	Create an acquisition fund to allow non-profits to purchase and preserve existing rental stock.
	Increase partnerships between governments and the non-profit sector to increase the economic viability and reduce the cost burden associated with development fees and levies.
	Increase partnerships with the private sector, there is a need for capacity across the spectrum.
	Increase investment in non-profit and purpose-built rental housing.
	Give some land back to First Nations who have shown they are better stewards of the land and are developing better projects.
	Simplify the complex building code; limit it only to health and safety.
	We need to establish metrics on housing needs to give a cohesive and accurate picture of the issues that can help inform the public and policy decision-making.
	The federal and provincial governments should be key players in funding of infrastructure.
	Take advantage of the financing abilities of the public sector to ensure housing supply.
	Public lands play a key role in increasing affordability and must be committed to this. Partnerships can be important to the success of such programs.

Order of Government	Idea
All	Leverage lands that benefit from public subsidies (churches, service groups, etc.) for affordable housing.
	All orders of government need to reduce the application process for project funding.
	Higher taxes can be good and can stabilise home prices and increase predictability, they may even pull prices down.
	Establish a housing levy to fund affordable housing units.
	Implement a land value capture tax for land that benefits from public infrastructure investment.
	Cities that deliver on their regional growth targets should receive priority for transit funding.
	Need a more holistic approach to transportation recognising that transportation is in the discussion and is a cause of unaffordability.
	Need to link transportation infrastructure funding to housing density targets.
	Automatically up-zone all areas around transit stations and pre-zone with all transit infrastructure spending.
	Link housing projects to public transit funding ensuring all new developments have a high level of service.
	Implement free public transit.
	The provincial or federal government should offer cities \$10,000 for every new rental unit added to the market.

Theme: Diversity

Order of Government	Idea
Federal	Federal funding should be made available to support the creation of co-operative housing.
Provincial	Reform tenancy laws to ensure long-term tenure security. Increase coordination around temporary accommodation during redevelopment. Any temporary accommodations used during renovation can also become permanent housing upon project completion. Eliminating rent control on newly built rental can be key. Phase rent control in as the building ages, this greatly aids in the economics of the construction. Place rent holds on sites to ensure they remain rental. Increase the earnings of the lowest earners to enable them to afford housing.

Theme: Acceleration

Order of Government	Idea
Provincial	Need to recognise the challenges and opportunities raised in the DAPR report and follow up on that process implementing its recommendations.
	Allow cities to issue bulk approvals to large-scale developments with multiple buildings/projects.
	Link municipal approvals to an appeals board and growth targets.
	Bring in an approval appeals board. Take the burden off municipalities.
	An appeals board should be more than simply an appellate body and have a variety of roles.
	An approvals review committee, with developers as members, should be established.
	There needs to be a right to appeal municipal decisions.
	Update the BC Building Code to be more permissive.

Order of Government	Idea
Municipal	We need to change the culture to allow for a new and improved process.
	We need to speed up approvals.
	Need to change public hearings. They need to be more representative and need to move away from their ad hoc nature. Alternatively, we need to rethink the need for these hearings altogether.
	Eliminate the need for public hearings on projects that comply with the Official Community Plan.
	Eliminate public hearings on individual projects.
	We need productive engagement.
	Change the public hearing process to be more representative.
	Cities need more staff to enable faster approval processes.
	City Councils should not be voting on every rezoning.
	Fees and charges need to be transparent and predictable.
All	We need to promote the trades and building industry as viable career paths for youth. Need to introduce more skilled labour to the marketplace.

