

Incentives needed to spark rental growth

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More than half of Vancouverites and more than a third of those living in Metro Vancouver rent their homes. Rental housing is the affordable housing option that spans all segments of the housing market. In many ways, it is a relief valve for the pressure that builds when the market can't keep pace constructing new homes for the sale market during spikes in housing demand.

Demand forecasts point to the need for more than 310,000 new housing units, 70,000 of them rental homes, by 2021 to meet population growth.

Even with the high levels of housing production in Metro Vancouver during the housing construction boom that just came to an end, rental housing didn't keep up with forecasted demand. The number of rental units built over the last decade represents about only a third of the level required in order to meet the estimated future demand. A significant portion of strata-titled condominium units have ended up as rental units, especially in pockets of the market like the downtown south part of Vancouver, but there is no certainty that these homes will remain on the rental market over time, with many already coming on and off the market depending on the demands and desires of their individual owners.

Building rental housing is uncompetitive with condo development. Federal tax law changes more than 25 years ago eliminated the tax incentives that once made the economics of constructing purpose-built rental apartment buildings. It was those tax incentives that led to the last rental building boom in the 1960s, leaving Vancouver dotted with 40-year old apartments, many which need costly repairs and deferred maintenance that can't be supported with income from current rents.

Without a significant shift in the current taxation regime or an incentive program, the prospect of adding significant amounts of new purpose-built rental housing is unlikely.

Vancouver's City Planning Commission is challenging the city's business-as-usual approach to development policies by recommending a solution for the rental housing crisis. The citizen body, of which I am a member, advises city council on long-range planning issues.

We recently challenged those running for city council, along with other community leaders, to consider trading density for purpose-built rental housing in areas around transportation nodes and neighbourhood centres. Vancouver has traditionally been willing to use "density bonusing" as a tool to extract value from new development and transfer that value to community benefits. The tool has been used to finance the preservation and restoration of a number of heritage buildings. It has been used to provide social housing. But so far, there has been no program in place to trade increased density for purpose-built rental housing.

The commission is recommending that the city adopt such a policy by pre-zoning land around transit nodes and in defined neighbourhood centres to allow a modest increase in density for new multi-family housing in return for the developer providing a certain number of rental homes for a specified period of time. The success of an incentive program like this is dependent on a number of economic variables, such as the amount of extra density allowed, the length of time during which the developer might have to forgo a profit to maintain a rental unit as opposed to selling it as a condo unit, etc. These are issues that need to be debated before such a policy is adopted.

The views of the community also need to be heard on issues that arise from increased density. It would be somewhat ironic, however, if, after spending billions of taxpayer dollars in constructing expensive public transit infrastructure, the public rejects the notion of increasing density around transit nodes, like SkyTrain stations.

Vancouver's new city council will undoubtedly give serious consideration to the ideas about rental housing advanced by its planning commission since they are among the very few specific ideas about dealing with housing affordability. 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. E-mail: ransford@counterpoint.ca