Rental Revival? Exploring the Potential Implications of Applying Residential Rental Tenure Zoning in Metro Vancouver

by

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Ethics Statement

The author, whose name appears on the title page of this work, has obtained, for the research described in this work, either:

a) human research ethics approval from the Vancouver Island University Research Ethics Board; or

b) Advance approval of the animal care protocol from the Vancouver Island University Animal Care Committee; or

c) Has conducted this research as a co-investigator, collaborator, or research assistant in a research project approved in advance of the author’s involvement.

A copy of the application has been filed with the Research Ethics Board at Vancouver Island University and inquiries may be directed to that authority.

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*Updated Spring 2019*
Abstract

In a region like Metro Vancouver, where housing costs have recently risen faster than household incomes, an affordable housing supply is necessary to ensure safe, secure housing is available to all residents. Local governments are at the forefront of the housing crisis and are exploring ways of diversifying housing options to address current and anticipated housing needs in their communities. The introduction of residential rental tenure zoning (rental zoning) may provide an innovative way for local governments to do this. This research explores the potential implications of applying rental zoning in Metro Vancouver by interviewing municipal planners from six different local governments within the Lower Mainland. Ultimately, the findings of this research suggest that the application of rental zoning may help local governments address some of their rental housing objectives, but this tool in and of itself is not a panacea to the region’s housing crisis.

Keywords: residential rental tenure zoning; rental zoning; purpose-built rentals; Metro Vancouver; housing crisis
Dedication

To my family:

Thank you for your unwavering support and encouragement. The opportunity to fully embed myself in this research as a millennial, living in your basement and writing about rental housing has been an incredibly ironic experience, and one which would certainly not be possible without your love and generosity.
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List of Acronyms

ALC  Agricultural Land Commission

ALR  Agricultural Land Reserve

ARP  Assisted Rental Programme

CMHC  Canada Mortgage and Housing Corporation

CRSP  Canada Rental Supply Programme

LD  Limited Dividend programme

MURB  Multiple Unit Rental Building Scheme

NHA  National Housing Act

RCF  Rental Construction Financing

TOD  Transit Oriented Development

WHL  Wartime Housing Limited
Chapter 1. **Introduction**

An affordable and diverse housing supply is an essential foundation to meet the needs of a growing population. In a region like Metro Vancouver, where housing costs have historically risen faster than household incomes, an affordable housing supply is necessary to ensure safe, secure housing is available to all residents. Particular attention should be directed towards seniors, young people initiating their careers, and residents who are increasingly being challenged by the unaffordability of Metro Vancouver's housing market. In a stable, welcoming community built on principles of sustainability, housing choices should include a mix of homeownership and rental opportunities across housing types, sizes, and price points to accommodate diverse populations. As important as this is, however, access to affordable housing is unattainable for thousands of people in Metro Vancouver. According to the 2016 census, 304,950 households (31.7 per cent) are experiencing core housing need, spending 30 per cent or more of their income on shelter costs (Statistics Canada). While core housing need is experienced by both renter and owner households, it is not evenly distributed between the housing tenures. Renters in Metro Vancouver are more likely to spend more than what they can afford on shelter. That is, 43.1 per cent of renter households are experiencing core housing need compared to 25.2 per cent of owner households (Statistics Canada). Metro Vancouver’s housing system is failing, and it is disproportionally harming renters and lower-income households.
In 2015 the Federation of Canadian Municipalities published a report to highlight the trends putting Canada’s housing system at risk (Pomeroy, 2015). Their findings included: the rising cost of home ownership, which has priced out would be first-time buyers from entering the market; low levels of new purpose-built rental construction; the demolition of older and more affordable rental buildings; and the termination of long-term federal subsidies that support the social housing sector (Pomeroy, 2015). While this report is a synopsis of trends occurring across Canada, the emphasis placed on rental housing is particularly relevant in greater Vancouver.

In 2016, the Metro Vancouver Regional District produced the Regional Affordable Housing Strategy, which provided a vision, goals, strategies, and actions for addressing the region’s affordable housing crisis (Metro Vancouver, 2016). The main focus of this 2016 report was rental housing, recognizing that the market is unable to adequately address this segment of the housing continuum.

Local governments are on the front lines of this housing crisis, and according to the Minister of Municipal Affairs and Housing, Selina Robinson, “they're well positioned to guide the right types of housing to meet the needs of their residents” (British Columbia, 2018a, para. 5). In May 2018, the provincial government introduced a new tool for municipalities to use to address rental housing: residential rental tenure zoning (hereinafter referred to as “rental zoning”). Recognizing the shortage and aging stock of rental homes in British Columbia, the provincial government introduced this legislation as a means to give local governments “a powerful tool to deliver homes people can afford in the communities where they work, go to school and raise their families” (British Columbia, 2018a, para. 6). The intent of rental zoning is to “give local governments greater ability to
preserve and increase the overall supply of rental housing in their communities, and increase housing choice and affordability” (British Columbia, 2018b, p. 1).

Bill 23 amended the Local Government Act and the Vancouver Charter to give local governments the authority to zone for residential rental tenure, and to implement zoning bylaws that:

1. Require that new housing in residential areas be developed as rental units;

2. Ensure that existing areas of rental housing are preserved as such (British Columbia, 2010b, p. 1)

Rental zoning is an optional tool for local governments that was designed to be flexible and used at different scales, including blocks, lots, or individual buildings. Within a building it can require that all housing units or a percentage of housing units be rental. Within a larger scale development, the percentage can differ across buildings and areas. According to the province “This means that communities of all sizes can be surgical in applying the authority to support local goals of neighbourhood completeness and diversity” (British Columbia, 2018b, p. 2).

This legislation may be an innovative tool to help municipalities address their housing needs. However, because rental zoning is the first legislation of its kind in North America, municipalities have been cautious to adopt it and are evaluating how it might help them address the needs of their communities and achieve their housing goals. This research seeks to understand the potential implications of rental zoning by speaking with planners to gain insight to the possibilities of this legislation, and if they think it may help in alleviating the region’s housing issues.
1.1. Research Questions

This research is guided by the following question: What are the potential implications of applying rental zoning in British Columbia? Ultimately, this question seeks to evaluate the statement made by the provincial government, which suggests that rental zoning gives local governments a greater ability to preserve and increase the overall supply of rental housing, and increase housing choice and affordability (British Columbia, 2018b). Because rental zoning is new, it is unknown as to whether this tool can actually achieve what it is intended to do. As such, additional sub-questions for this research include:

1. How can rental zoning preserve existing and increase the overall supply of rental housing?
2. How can rental zoning increase housing choice and affordability?
3. What might be some unintended consequences of rental zoning?

To answer these questions, this study interviewed social and policy planners who work in local governments within Metro Vancouver. Planners working within these realms were recruited because they are often involved in housing issues pertaining to their municipality, and are aware of emerging trends, including rental zoning. Generally speaking, these planners have also been tasked with researching rental zoning and how it could be applied in their municipality to achieve their particular housing objectives.

There are 21 municipalities within Metro Vancouver. Of these, planners from 13 municipalities were recruited because their contact information was publicly available on their websites. Interviews were conducted with 6 planners, each from a different local government and in different stages of exploring rental zoning.
The provincial government introduced rental zoning with enthusiasm, and made several statements implying that it could help alleviate housing issues experienced in communities throughout British Columbia. While it is too soon to evaluate the effects of rental zoning, speaking with planners involved in housing issues provides a unique perspective to an emerging topic. Their knowledge of housing in Metro Vancouver, particularly rental housing, provides an interesting angle on this new tool, and what it might mean for rental housing.

1.2. **Research Rationale and Approach**

Within the next few years rental zoning may become more widely adopted by municipalities, but this preliminary stage this tool is not well understood. Interviewing planners who may be involved with the development, implementation, and monitoring of rental zoning may illustrate potential opportunities and constraints of zoning land for rental tenure. This research provides a snap-shot in time before this tool may become more broadly applied and understood.

Housing affordability has become the primary topic of discussion in communities throughout British Columbia, and especially in the Lower Mainland where the housing situation is commonly referred to as a crisis. Over time the region has become increasingly unaffordable, where the cost of housing has risen faster than local household incomes (RBC, 2018), and the crisis shows no signs of easing. With homeownership simply unattainable for thousands of people in Metro Vancouver, there is a renewed interest in rental housing. But even this form of tenure is experiencing a crisis of its own. Wendy Waters, the senior director of research services and strategy for GWL Realty Advisors, suggests that every city in Canada would benefit from new rental options, but "pent-up
demand for purpose-built rental housing in the metro areas of Vancouver and Toronto is massive” and that “The current levels of new supply opening and under construction in both cities will not come close to matching the need” (Waters, 2018, para. 2).

Rental zoning is the first legislation of its kind in North America, and to date no academic literature on this tool exists. However, Vancouver’s affordability crisis has been well documented by academics and the media alike. In the months leading to its introduction, there was speculation in the media as to what this tool could accomplish. The media has published stories, editorials, and articles on all aspects of the rental housing market, reporting on demovictions, renovictions, rising rents, and more recently, rental zoning. The introduction of rental zoning was viewed as both helpful and meddling by popular media when it was announced in May 2018.

Since its inception, several articles have noted that rental zoning is an innovative tool that may provide local governments new ways to engage with issues of affordability. Relying on statements from industry experts and politicians, the media suggested that rental zoning could help protect existing older rental stock from redevelopment. An article in the Vancouver Sun implied that a rental-only zoning tool would help preserve existing stock in key rental neighbourhoods, since current tools are limited in their ability to protect them (Shaw, 2018). Articles in the Globe and Mail and the Tri City News also spoke to the potential of rental zoning reducing the speculative value in the real estate market, making it more viable for rental developers to build rental housing (Givetash, 2018; Granger, 2018). In a quote from a Globe and Mail article Cameron Muir, chief economist with the BC Real Estate Association, stated that if land is “zoned rental only, of course the value will increase, but it will only be limited to the sphere of the rental market” (Muir, as cited in Givetash, 2018, para. 7). Under these circumstances, developers wanting to build rental
housing will not be out-bid by developers building condominiums. Rental zoning was also seen as a helpful tool to communicate the location of future rental housing, and to support transit corridor development and strong ridership (Bula, 2018; Shaw, 2018).

Alternatively, some articles suggest rental zoning may provide too many opportunities for government intervention. These concerns are largely derived from the development community. Although the development community is supportive of rental zoning, and recognizes that rental housing shortages are a serious issue, they are concerned that it may downzone or reduce the value of their properties. The Urban Development Institute (UDI), a non-profit association of the development industry and its related professions, released a statement suggesting that rental zoning may potentially devalue sites as a result of downzoning (Urban Development Institute, 2018). They assert that “If this occurred, it may freeze the land market and would not send positive signals to investors that BC has a stable regulatory environment needed for long term investments” (Urban Development Institute, 2018, para. 12). Anne McMullin, the president of UDI, is quoted in a Vancouver Sun article stating that:

We don’t want to add too many regulations or restrictions because the rental market is very tenuous…We’re able to build it because interest rates are low and frankly, there’s a zero vacancy rate so there’s demand and low supply. So the numbers economically work. If you come up with too much disincentive, you can create all the rental zoning you want but if it isn’t economically viable it won’t get built. (McMullin, as cited in Shaw, 2018, para. 18)

In this instance, government intervention through landuse regulation is perceived as restrictive, which may potentially limit new development.
The formation of ghettos was also discussed as another potential implication of applying rental zoning. In a Vancouver Sun article, architect and planner Michael Geller is quoted as stating that:

Throughout Vancouver’s history, what we’ve tried to create are diverse neighbourhoods…I still think it’s better to have a mix of ownership, and rental and different incomes, rather than, say, just rental…I think this kind of ghettoization – and that’s what it is, it’s a form of ghettoization – is potentially inappropriate. (Geller, as cited in Fumano, 2017, para. 14)

The concept that rental zoning may facilitate the creation of ghettos is provocative and an exaggeration used to rouse public anxiety about renters. At the BC Non-Profit Housing Association’s one-day Regional Education, Network & Tradeshow in May 2018, Robert Brown, president of Catalyst, a non-profit housing provider, joked that Vancouver’s rental policies of the 60s and 70s created a “horrendous ghetto, known as the West End” (Brown, as cited in Connolly, 2018, para. 3). This area is both highly desirable and comprised of a large proportion of renter households. The notion that rental housing equates ghettos demonstrates an inappropriate fear of renters and lower-income households that can be used as a scare-tactic to lobby people against alternative forms of housing.

Other articles emphasize that even though rental zoning may affect property prices and make it more affordable to develop rental housing it is not enough of an incentive for developers to build more rental. Rather, funding made available through the federal government’s new national housing strategy and the provincial government’s promise of $6-billion toward housing development provides more intriguing options (Givetash, 2018).
Although media coverage of rental zoning was prominent in the weeks before and after its introduction in May, it began to gain more media attention in the fall as the municipal elections in BC drew closer. Prior to the 2018 civic elections, the Greater Vancouver Board of Trade organized a survey that found that affordable housing was likely to dominate discussion in the lead up to the election in October 2018 (Mustel Group, FleishmanHillardHighRoad, & Greater Vancouver Board of Trade, 2018). While market rental housing does not necessarily imply affordable housing, it is an important part of the housing continuum and certainly one that is experiencing undue hardship. Many politicians’ platforms contained aspects of affordable housing policy, with some campaigning on rental zoning and the need to protect existing rental housing supply from redevelopment. These politicians are scattered throughout local governments in Metro Vancouver.

To date only The City of Burnaby and the City of New Westminster have moved forward with rental zoning. The City of Burnaby amended their Zoning Bylaw, and the City of New Westminster has applied the tool to 6 stratified rental buildings and to 12 City owned properties to protect tenants from renovictions of existing rental housing stock. Although only two municipalities within Metro Vancouver have integrated rental zoning, if the campaign promises are realized this could become a much more prevalent tool within the next few years. As municipalities begin to explore how this tool can be used to address the needs of their communities and fulfill their housing objectives, this research will provide a glimpse into the perceptions of this tool – the hopes and concerns – before it becomes more widely implemented.
1.3. Structure of this Study

The remaining sections of this study are comprised of the following chapters:

Chapter 2 explores literature on market rental housing, and highlights trends that have influenced this housing tenure from the early 1940s to the present.

Chapter 3 details the methods used in this study.

Chapter 4 highlights the results of semi-structured interviews.

Chapter 5 analyses and discusses the interviews and how they relate to the research questions.

Chapter 6 outlines the conclusions of this research and recommendations for further study.
Chapter 2. Literature Review

2.1. Introduction

Market rental housing, particularly the purpose-built segment, has significantly changed since the mid 20th century in the Lower Mainland. Policies adopted by all 3 levels of government have incrementally shifted a predominant form of housing tenure from rental housing to ownership. Over time, the implications of these policies have contributed to the current housing crisis characterized by high rents, and low vacancy rates, and limited private rental construction starts (despite the low vacancy rates). Local governments are on the front lines of this crisis, yet they have few legislative tools available, or even the capacity to effectively alleviate the situation. The introduction of rental zoning to the municipal government tool box may provide local governments with another opportunity to intervene in housing issues and address the needs of their communities.

To understand why the provincial government introduced rental zoning and the current housing crisis, it is necessary to place it in historical perspective (Smith, 1983), as well as understand the roles of government in addressing housing matters. As such, the following sections explore trends that have, and continue to shape the primary rental market in Metro Vancouver from the early 1940s to the present. While social housing and the secondary rental market are important components of the housing spectrum, they are beyond the scope of this research.
Attention has also been given to exploring the similarities of other land use regulations introduced by the provincial government to protect vulnerable land from development, specifically the Agricultural Land Reserve (ALR).

2.2. Government Policy and Housing in Canada

Canada’s constitution does not allocate responsibility for housing to any level of government. Consequently, there is some ambiguity about where the constitutional responsibility for housing matters lies (Pomeroy, 1995). Policy decisions made by all 3 levels of government affect rental housing, and in some instances, actually conflict with, or reinforce one another (Crook, 1998). To understand the following sections of this thesis, it is important to recognize the roles government have assumed in housing issues, and how their policies have affected the state of rental housing in Canada, specifically the Metro Vancouver region, since the early 1940s. Government roles in housing can generally be understood by the following responsibilities:

**Federal**: The federal government is responsible for taxation, subsidies, loans, and immigration, all of which influence housing demand and supply. Up until the 1990s, the federal government also funded affordable housing programs before downloading that responsibility onto the provinces. The federal government’s involvement in housing has been through their operation of a Crown Corporation, the Canada Mortgage and Housing Corporation (CMHC), the federal body responsible for housing matters.

**Provincial**: Provincial governments are involved with policies concerning incentive programmes, rent control, regulations about landlord-tenant relationships, shelter allowance programmes, and legislation to prevent the transfer of rented dwellings to the
owner-occupier sector. The creation of municipal governments and the authorization of their powers is also a function of the provinces.

**Municipal**: Local governments are responsible for ensuring an adequate supply of residential land to meet housing demand through the land use planning and regulatory process, within the context of local and regional housing demand. There are also opportunities for local governments to address housing affordability through advocacy and incentives to the private market (Metro Vancouver, 2016).

Federal, provincial, and municipal government policies influence the housing system. For several decades, these policies have collectively pursued a private market approach to housing (Crook, 1998; Hulchanski, 2004b). Under these terms, governments become reliant on the market and on investors. A concerning consequence of this is that governments become accountable to the needs of market rather than to the people they serve (United Nations Human Rights Council, 2017). Madden and Marcuse (2016) argue that housing systems have entered a period of “hyper-commodification.” In this situation, housing is “becoming ever less an infrastructure for living and ever more an instrument for financial accumulation” (Madden & Marcuse, 2016, p. 26). The intention of this literature review is not to suggest that ownership is fundamentally wrong. Instead, it seeks to illustrate how governments have prioritized and privileged ownership above other segments of the housing spectrum, particularly those occupied by lower-income households. According to Bacher (1993, p. 16):

Housing policies provide a remarkable litmus test for the values of politicians at every level of office and of the varied communities that influence them. Often this test measures simply the warmth or coldness of
heart of the more affluent and secure towards families of lower socio-economic status.

How government perceives housing, whether as a commodity or a right, shapes the housing system. The following sections will explore policies that have influenced the primary rental market in Metro Vancouver, eventually leading to the development of rental zoning.

2.3. Wartime Housing Problems and Government Response

The majority of literature that explores the history of market rental housing in Canada often begins its evaluation after World War II. However, government intervention in housing during the war illustrates a period in time where providing rental housing became a national priority, and for these reasons, is worthy of discussion.

Canada experienced significant challenges in providing adequate shelter for Canadians during and after World War II. Beginning in the early 1940s the federal government directly intervened in supplying rental housing for workers and soldiers as a way to support the war effort. This intervention marked a distinct shift in the federal government’s role in housing. Prior to the war, housing was largely under the domain of provincial and municipal governments. The direct involvement of the federal government in housing during the war and post-war years are recognized as a pivotal moment in Canadian housing policy. In particular, the federal government’s treatment of housing issues after the war has had a profound effect on the state of rental housing that is still felt today. Understanding how and why the federal government intervened in housing during and briefly after the war is important because of their long lasting impacts on housing.
Prior to the start of World War II, Canada’s housing problems were well established. The onset of the war, however, would further exacerbate housing problems. Insufficient housing during the Great Depression intensified housing supply shortages, overcrowding, and substandard accommodation during the war (Wade, 1984; Wade, 1986). These issues were caused by a large migration of war workers, servicemen, and their families to cities within close proximity to industry or armed forces bases. In British Columbia, for example, industrial employment grew from 103,878 to 176,296 between 1939 and 1944. Much of this growth was concentrated in Metro Vancouver where there were established aircraft and ship building industries. Between 1939 and 1944, the Lower Mainland’s population rose from 267,000 to 311,000 largely because of these industries (Wade, 1984). The enormous population and employment growth in cities related to the war effort made the federal government reconsider their role in housing.

Confronted with abrupt responsibilities to support the war, and rapid urbanization of workers to support these efforts, the federal government chose to become actively involved in supplying rental housing for Canadians. A major component of this policy, which responded to housing shortages caused by wartime industrial expansion, was the Wartime Housing Limited (WHL) program (Wade, 1984). The incentive to provide housing for workers was not from a social demand, but instead was market motivated. It was thought that housing shortages would impede on war production, and private enterprise could not meet the short-lived demand for accommodation (Wade, 1984). Under the War Measures Act and the department of Munitions and Supply Act, the Privy Council ordered the creation of a wartime housing crown company, and in 1941 the WHL was formed. During the war, WHL directly intervened in Canada’s housing system. Its primary function
was to construct, purchase, rent and manage economically and efficiently living accommodation for war workers and their families (Wade, 1986).

Between 1941 and 1944, the federal government spent roughly $50 million dollars on publicly-built war workers housing, portions of which were allocated to workers housing projects in Metro Vancouver (Wade, 1984). A WHL survey of North Vancouver in June 1941 determined that wartime employees at Burrard Drydock Co. Ltd. and North Van Ship Repairs required housing. In 1941 the approval to build 300 single family houses and two staff houses was granted. In the following year, another 450 houses were approved for North Vancouver, and 300 temporary houses in Richmond for the Boeing Aircraft of Canada Ltd. workers (as cited by Wade, 1984). Under the WHL, more housing was built in North Vancouver in two years than had been built in the previous 20 (North Vancouver Museum & Archives, n.d.). By 1943 WHL’s activity began to subside, and the government narrowed its focus on building more permanent, better quality houses for servicemen and veterans.

Veterans became the major focus of wartime shelter programs after 1944. Although servicemen had returned home for a variety of reasons before V-E day, the final release of 620,000 personnel between June 1945 and June 1946 seriously intensified the country’s housing situation (Wade, 1984). Thousands of returning veterans would place an already stressed housing system into further disrepair. Wade (1984) emphasizes that this problem was exacerbated in British Columbia where demobilization of ex-servicemen created serious housing congestion in Vancouver. Vacancy rates of rental apartments dwindled from 1.5 per cent in 1937 to .004 per cent in June 1945 (Wade, 1984).
Although the federal government intended to return to assisting housing through indirect measures, it continued to intervene through the WHL because it temporarily accepted responsibility for accommodating servicemen’s and veterans’ families until the WHL ended in 1947 (Wade, 1984). In 1944, however, the government also began to provide indirect financial assistance to residential construction. It revamped the *National Housing Act* (NHA) in 1944 and helped prospective home owners or builders by providing government loans to approved lending institutions (Wade, 1984, p. 60). The NHA also provided financial aid for rental housing construction. Specifically, the act made direct loans to limited dividend companies for low-rental housing projects, guaranteed a profit of 2.5 per cent per year to life insurance companies investing in lower- and moderate-cost rental housing, and authorized slum clearance grants to municipalities when a limited dividend company or a life insurance company agreed to construct rental housing on the site. Under these circumstances, Housing Enterprises of Canada Ltd., a holding company formed by the major lending institutions, developed moderate-rental housing projects in major urban centres across Canada. By the end of 1946, a total of 2,811 units were developed (Wade, 1984). In sum, the government reacted to a serious wartime and post-war accommodation problem through both direct and indirect interventionist programs, a sharp contrast from its pre-war indirect participation in housing. WHL operations became a major component in this between 1941 to 1947. The government demonstrated its awareness to the social need for shelter that contradicted its long-term market-oriented approach.

In early 1944, the Housing and Community Planning Subcommittee of the Advisory Committee on Reconstruction, chaired by W.A. Curtis, released its recommendations for postwar housing policy. Commonly known as the Curtis Report, it recommended that
government involvement was necessary to ensure affordability. It suggested that new policies should be introduced to stimulate construction, repair and renovation of urban and rural houses to provide affordable and good quality homes and also to create employment (Clayton Research Associates Ltd., 1994). Between 1944 and 1945, the government had the opportunity of implementing the Curtis Report’s major recommendation – a comprehensive, planned national housing program emphasizing low-income accommodation. When the government created CMHC, they could have channeled WHL’s expertise into the constitution of a national low-rental agency (Wade, 1986).

By the middle of 1945, the government needed a better coordinating body to manage the many direct and indirect programs introduced during the war. In January 1946, it consolidated in CMHC the NHA programs, the Emergency Shelter regulations, and the Home Conversion Plan. By 1946, CMHC and WHL became more closely coordinated, and by 1947 the crown corporations were integrated under CMHC (Wade, 1984).

The dissolution of the WHL is perceived by some scholars as a pivotal point in the Canadian housing system. Rather than reconstituting WHL as a permanent low-income rental housing agency, the government chose to devolve its rental housing responsibilities following the war, in favour of ownership (Wade, 1984). By the late 1940s, CMHC had established its primary function to stimulate the private sector rather than to replace it with direct government involvement (Wade, 1984; Smith, 1977). The federal government’s objective was to increase the availability of mortgage funds from the private sector. The goal was to increase residential construction activity by making mortgage credit available to moderate-income households to stimulate demand. Steele (1993) also agrees that CMHC’s focus was on home ownership among middle-income families. However, she
argues that this was a response to the thousands of returning servicemen and others needing housing in the early post-war period, and with an underlying assumption that home ownership was more desirable than tenancy. CMHC saw its main task as to ensure that mortgages were available and houses were built. According to Steele (1993), “It seemed natural that these new houses should be for home owners and thus home owner policies were the principal focus of CMHC attention” (p. 44). CMHC transformed the residential mortgage market, assisting in the access to financing for middle-income households across the country. Although there was an emphasis placed on ownership, the 1950s and 1960s also experienced a significant rise in purpose-built rental construction.

2.4. Rental Housing Boom

According to the 2016 Census, 30 per cent of renter households in Metro Vancouver live in structures built before 1971 (Metro Vancouver, 2018). These buildings are the remnants of a rental housing boom that occurred between the 1950s and early 1970s. Between 1951 and 1973 there was a rapid expansion in low-, medium-, and high-rise rental apartments in Metro Vancouver. While 85 per cent of new homes built in Canada in the post-war years were single family houses, by 1964 almost half were apartments or other multi-family structures. In 1969 apartment units comprised of more than 50 per cent of all housing starts (Clayton Research Associates, 1989a). The rapid expansion of rental housing was supported by favourable demographics and government policy.

The postwar years in Canada are marked by significant changes in household formations and immigration. Part of this period is characterized by younger marriages,
earlier child births, and larger family sizes. However, by the 1960s there was a distinct shift that gravitated towards later marriages, more bachelorhood, more divorces, fewer children, postponed childbirth households (Miron, 1993). During this time household incomes began to rise, enabling a larger renter population who no longer had to rely on “doubling-up” accommodation (Suttor, 2009). These changes in family structures coincided with significant periods of immigration and urbanization. In the 1950s a wave of Europeans settled in Canada, which was soon followed by a second wave of immigration, primarily from Asia and the Caribbean around 1965. The majority of these immigrants settled in Canada’s larger metropolitan areas, including greater Vancouver. Ultimately, these changes in family formation and rises in immigration “translated into new patterns of living arrangements that shaped, and were in turn shaped by the kinds of housing being built” (Miron, 1993, p. 23 – 24). Cities had to meet the housing needs of growing populations and changing demographics, and rental housing was a viable tenure for those unable to afford a single family house.

Apartment construction in the 1940s and 1950s was predominantly in the form of low-rise apartments (Clayton Research Associates, 1989b). Small apartment blocks comprised of two to three storey walk-ups began to appear in greater numbers, and by the mid 1950s, were a common form of development in cities across Canada (Figure 1) (Clayton Research Associates, 1989a). The growth of the apartment development industry was partially facilitated by technological innovations in construction that created the high-rise apartment, a seven to ten storey building (Figure 2).
Figure 1: A 3-storey walk-up apartment in Vancouver’s West End

Figure 2: A high-rise apartment building in Vancouver’s West End
High-rise apartments were the antithesis of suburban development, and provided few desired amenities. However, they had “one undisputed advantage over other types of housing provided by the corporate developers: relatively speaking, they are affordable” (Lorimer, 1978, p. 130). Although rents in high-rise apartments were not financially accessible to lower-income households, they were considerably less expensive than the monthly carrying costs of a similar sized single-family house (Lorimer, 1978).

The financial structure of high-rise apartments also proved to be lucrative for developers. The advent of the high-rise provided the development industry with “a way of squeezing new profits out of every acre of urban residential land they’re built on, without conflicting with the profits the industry makes building single-family houses in the suburbs” (Lorimer, 1978, p. 131). Although construction costs for single-family houses and apartments were similar, what made high-rise apartments appealing to developers was the modest price of land allocated towards multi-family apartments. Using Toronto as an example, Lorimer (1978, p. 132) suggests that the cost of land for a suburban house may be $30,000, whereas land for an individual unit in a high-rise apartment may cost only $5,000. Although profit incentivized developers to build rental apartments, it was through government support that apartments could make financial gains.

Various levels of government have played an essential role in supporting the development of apartments. The federal government, for example, provided mortgages to developers who wanted to build rental housing. While high-rise apartments experienced criticism for not being suitable for families, the federal government continued to provide subsidies and NHA mortgage insurance for these projects rather than cutting them off in favour of other housing types (Lorimer, 1978). The financial structure of apartments as income properties also encouraged investment in rental housing because of the
substantial annual return to the developer. Additionally, rental housing investors also benefited from tax breaks. Smith (1983) suggests that “When tax concessions are provided for investment in rental housing, they increase the desirability of such investments” (Smith, 1983, p. 61). Rental housing investors were able to treat depreciation on a building, referred to as a capital cost allowance, as an expense that could be deducted from their taxable income. Additionally, if investors decided to sell their property, they could postpone taxation of the recaptured depreciation on the sale of their property if they applied the proceeds of that sale towards the purchase of another property of equal or greater value. This is often referred to as rollover provisions.

Municipalities were also an important component in the development of high-rise apartments. Local governments supported the development of purpose-built rentals by establishing land use regulations that permitted the construction high-rise apartments. They also regulated the supply of high-density residential land so that rental investors could maintain a substantial profit margin. Additionally, local governments provided indirect subsidies to large high-rise development projects by selling public land to developers at rates below its market value (Lorimer, 1978). The provisions developed by municipalities for high-rises encouraged developers to build them instead of directing them towards other forms of development (Lorimer, 1978). Vancouver’s West End is an excellent example of how government regulations supported the development of high-rise apartments in the 1950s. Municipal zoning permitted buildings with floor space over three times the area of the lot, and no height restrictions (Lorimer, 1978). Under these conditions, high-rise apartments began to spring up, becoming a predominant form of housing in that community.
In terms of the number of housing units constructed, high-rise apartments surpassed single-family houses in many Canadian cities in terms of construction starts in the late 1960s and early 1970s. The rental housing boom peaked in the late 1960s in Vancouver, best demonstrated in the West End. Between 1968 and 1969, 37 apartment buildings were started within this small community adjacent to downtown Vancouver (Gustein, 1975). Within the next few years, however, a new form of development and tenure would present itself, forever changing urban landscapes.

2.5. The Rise of Condominiums

The technological innovations in construction that introduced high-rise apartments later inspired developers to pressure the provincial government to create a new form of ownership in high-rise building: the condominium. Prior to condominiums, there were two predominant forms of tenure: renting an apartment or owning a single family home. Condominiums merged these forms of tenure together and has since had a profound impact on Metro Vancouver’s housing market. The rise of condominiums made possible by the Strata Titles Act of 1966, a new demographic able to enter homeownership, and tax restructuring that incentivized the development of condominiums over rental apartments.

2.5.1. Strata Titles Act

In 1966 the provincial government introduced the Strata Titles Act, innovative legislation that allowed for the development of condominiums. Condominiums increased density by allowing land to be subdivided in three dimensions, characterized by private
ownership of a single unit of a multi-unit building with common ownership of shared spaces among the owners of the units (Harris, 2011).

The first condominium development in Metro Vancouver was constructed in Port Moody in 1968, but they were not popular until the 1970s when tax incentives and housing programs made it a more financially lucrative investment. The introduction of the condominium has had serious implications on rental housing. A tax restructuring in 1972 further supported the development of condominiums over rental apartments.

2.5.2. Growing Affluence and Home Ownership

The prominence of condominiums in Metro Vancouver coincided with regional economic restructuring from an industrial to a professional service economy (Harris, 2011; Ley, 1996). Growth in white collar industry is associated with high levels of office construction in downtown cores (Ley, 1985). In Vancouver, for example, office spaces in the downtown peninsula tripled between 1967 and 1984 (Ley, 1985). This construction symbolizes the transition of the city and its workforce that includes private and public corporate employees, professionals, and those who engage in the arts and media.

In Vancouver, the structural shift in the city’s economy not only created the physical space for redevelopment, but also a new labour force that was more inclined to own than to rent (Harris, 2011). The high level of qualifications required by service positions, their status, and above average salaries also meant that they had the income to do so (Ley, 1996). Harris (2007) suggests that this switch in labour force encouraged developers and local governments to become more involved in larger-scale projects that transformed neighbourhoods abruptly rather than incrementally. Pockets of condominium
development began to pop up throughout the City of Vancouver, particularly in Vancouver’s West End, Mount Pleasant, Strathcona, and Grandview Woodlands (Harris, 2007). With a more diverse ownership market, renters with moderate household incomes were now able to purchase a home. This was accompanied by government programs, including the Assisted Home Ownership Program introduced in 1973. This program provided grants for low- to moderate-income households, who previously would have rented, to purchase their own home (Smith, 1981). The timely introduction of the condominium provided a more affordable option relative to single family houses. Ownership offered financial advantages over renting. In particular, those living in high cost housing markets, such as Metro Vancouver, are able to accumulate wealth. Hulchanski (1993) argues that the rental sector became increasingly a residual one, restricted to primarily low-income households.

2.5.3. **Tax Restructuring**

Beginning in 1972 the federal government introduced a series of tax reforms intended to dampen speculation in real estate markets. However, their impact was far reaching and is generally considered to be the primary factor that weakened Canada’s rental housing sector. Ultimately, the tax restructuring made it more profitable to invest in privately owned condominiums as opposed to rental housing. The tax revisions believed to have had the greatest impact on rental housing were the introduction of a capital gains tax, and the elimination of investment real estate as a tax shelter for other income (Smith, 1983).

The capital gains tax recognized gains from financial and real assets, with the exception of a principle residence. Under this tax reform 50 per cent of a capital gain was
taxed as income (Clayton Research Associates Ltd, 1998). The capital gains tax encouraged a shift in tenure towards ownership because ownership was the only means through which a non-taxable capital gain could be realized. The overall effect of this tax, however, had a smaller impact than might be imagined. While it reduced the desirability of residential rental investment, all major equity investments, other than a principal residence, were similarly treated (Smith, 1983). What was more influential in discouraging investment in rental housing was the elimination of rollover provisions and the tax shelter.

Prior to 1972, rental investors were able to combine multiple rental buildings for tax purposes. Rollover provisions allowed investors to defer the tax on recaptured depreciation upon the sale of a single building as long as they had others with unassigned capital cost allowances (Smith, 1983). By 1972, however, the tax reform ended these rollover provisions and the opportunity to use rental building losses as deductions against other incomes (Smith, 1983). Ultimately, these changes ended the use of rental housing investments as a form of tax shelter.

The 1972 tax revisions have had a long lasting impact on the construction and investment of rental housing. Over time several scholars have noted that very little construction of purpose-built rental apartments has occurred since the early 1970s, largely because of the aforementioned tax reforms. According to Miron (1995), “That the Great Apartment Boom ended shortly thereafter suggests that the effect of these changes on investment in rental housing was substantial” (p. 596).
2.6. **Condominium Boom**

By the late 1970s, there was a growing awareness of inner-city revitalization occurring in Vancouver: the movement of middleclass households into lower-income and often deteriorating inner-city neighbourhoods. Redevelopment of Vancouver's inner city was made possible by several key factors including the city’s transition to a white-collar service oriented city, significant population growth, and a substantial increase in purchasing power of the new middle class. Inner-city neighbourhoods provided coveted amenities, such as proximity to the city’s central business district, major parks, beaches, and marinas, as well as the distinct and vibrant cultural and retail activity. The new middle-classes’ demand to live in the inner city was accommodated by developers building their preferred supply: condominiums. Condominiums provided a more affordable option into homeownership, as well as downsizing options for empty nesters (Hulchanski, 1993; Skaburskis & Associates, 1984). The landscape of Vancouver and later its surrounding regions was forever changed.

Prior to the *Strata Title Act*, housing tenure was limited to owning a single family home, renting an apartment unit, or living in stigmatized social housing. Subsequently, land zoned for medium to high residential density was intended for rental housing (Harris, 2011). The introduction of another medium- to high-density building form created competition for already limited space. Because condominiums offered a more lucrative, more swiftly realized return on investments over rental housing development, condominium developers were able to outbid rental developers for scarcely available land (Harris, 2011). The loss of rental-only land made it difficult, if not impossible for investors to build for renters (Hulchanski, 2007). And from an investment perspective, if a developer was building a unit that would have a similar footprint and finishing costs, subdividing the
building as a strata and realizing profits in the short-term made a stronger business case for financiers and investors over the long-term investment of time and money required to profit from a rental building. Beyond competition for land, condominiums further restricted rental housing through provisions that allowed for the conversion of rental apartments to privately owned condominiums.

New development in cities likely occurs on land with pre-existing uses. Thus, rising popularity and construction of condominiums in Metro Vancouver beginning in the 1970s meant that these new buildings would replace others. Often condominiums were developed at the expense of rental apartments through the conversion of rental units to condominiums, or through demolition. Thousands of rental housing units were lost and tenants displaced due to these circumstances.

2.6.1. Conversion

In the early 1970s, upgrading rental properties to condominiums was common practice. Previous rental investors had few incentives to pursue rental investment over other potential investments. Rents could not go up without further driving higher-income households into homeownership. Many developers began to pursue other forms of residential and commercial development. However, some investors remained in multi-unit development but concentrated on developing new condominiums, or alternatively converting existing rental buildings to condominium units for sale.

According to Seto (1985), investors would purchase existing rental buildings from their owners, providing the latter with substantial profits. Developers were able to do this because “the individual selling price for each unit as a condominium when added together
would come to more than the selling price for the total building as a rental investment” (Seto, 1985, p. 40). This began the condominium conversion boom.

In 1973 a condominium conversion moratorium was introduced in British Columbia which gave municipalities an opportunity to enact appropriate and permanent regulations. Despite the moratoriums, Ley (1996) notes that various forms of upgrading continued, removing approximately 1,000 units of low-cost rental housing stock (p. 51). Often condominium conversions were able to occur without municipal approval because the rental units were stratified at the time of development. Municipal regulations were not applicable to rental buildings which were stratified prior to occupancy (Seto, 1985).

Although the moratoriums may have provided some relief, they were temporary measures and condominium conversion continued to be a pervasive problem. Hulchanski (1989) notes that between 1979 and 1988, 2,462 rental housing units were approved for condominium conversion by Vancouver City Council. He further emphasizes that while the conversion of only 200 to 300 apartment units per year may appear insignificant, Vancouver “approved the loss of more rental units through condominium conversions than the private sector built” (Hulchanski, 1989, p. 4). A survey of tenants in Kitsilano in 1976 showed that the low vacancy rate made it difficult for tenants to find alternate accommodation in the area. In most cases tenants paid more in their new unit or moved to a unit itself subject to demolition (Vischer Skaburskis, Planners, 1979, p. 114). In a study of condominium conversions in the Halifax-Dartmouth region of Nova Scotia, Pinfold and Collins (1984) found that the overall impact of the conversion of rental housing to condominiums was smaller than widely believed. Their research explored the flows and tenure change of converted units and the occupants of those units when conversion was announced. They found that the conversion of 359 units produced a net loss of 30 units
to the rental housing stock. Essentially, almost half of the previous tenants decided to purchase their unit. When these households bought their units, the demand for rental units declined (Pinfold & Collins, 1984).

While the net loss of rental housing in this study was not substantial, Pinfold and Collins (1984) recognize that conversion “does cause a great deal of involuntary disruption in the lives of the residents of the converted buildings,” and suggest that the “social impact appears to be equally, if not more, important than the economic effects of conversion” (p. 92). While condominium conversions can have varying social and economic impacts on various housing markets, demolitions, however, can be devastating.

2.6.2. Demolition

The rate at which older rental buildings in Metro Vancouver were demolished was largely caused by the pressure for land-use intensification (Vischer Skaburskis, Planners, 1979). The demolition of existing rental apartment buildings is a result of demand exceeding supply. Land zoned for multi-family, which includes rental apartments and condominiums, is scarce. When demand becomes strong and supply is constrained, it becomes economic to demolish and redevelop to more modern structures. In the 1970s, areas most prone to condominium redevelopment in Vancouver were the West End, Kitsilano, and Fairview. Ley (1981) asserts that between 1973 and 1976, the inner city districts lost over 2,400 rental units through demolition. By the 1980s, other areas containing older rental stock were also subject to redevelopment. In his study, Ho (1989) investigated the impact of redevelopment pressures on the rental housing market in Kerrisdale, specifically focusing on why demolitions were happening, and what their impacts were. His findings suggest that the greatest impact of redevelopment pressures
in Kerrisdale has been primarily social, referring to the loss of self-esteem, uncertainty, anxiety, loss of control, and stress (Ho, 1989). In Kerrisdale, low-rise rental apartment buildings were the most susceptible to redevelopment. Generally these buildings were inhabited by low-income households. Potential or planned redevelopment disproportionately harmed poorer residents who would have to move and would have the most difficult time adjusting (Ho, 1989). Evicted tenants had the choice of moving farther away or paying higher rents to stay in the same neighbourhood.

The loss of affordable housing and the displacement of low-income households “is the invariable consequence of the revitalization process” (Ley, 1981, p. 139). As condominiums became a prominent form of development and replaced rental housing, the federal government responded by creating programs that incentivized rental housing construction to compensate for the loss of rental units.

### 2.7. Government Response

Since the mid 20th century the federal government has introduced several rental housing programs in an attempt to increase the rental housing sector. Most of the programs were introduced in the 1970s and 1980s as a response to the severe decline in private rental housing construction. The introduction of these programs marks a brief return to direct government intervention in the production and distribution of housing in Canada’s housing system. There were four programs that directly related to rental housing supply, with a particular focus on creating shelter for moderate- to low-income households. This includes the:

1. Limited Dividend Programme (LD)
2. Assisted Rental Programme (ARP)

3. Multiple Unit Rental Building (MURB)

4. Canada Rental Supply Programme (CRSP)

The federal government introduced the Limited Dividend (LD) programme in 1946 to stimulate construction from the private sector for low- and moderate-income households, using private landlords to provide social housing (Crook, 1998). Until the programme was dissolved in 1974, the LD programme produced just over 100,000 units, which accounted for six per cent of all apartment and row housing starts in this period. Companies participating in the programme were given loans in return for limiting their dividend, for charging below-market rents, and for limiting tenants to those in specific income groups (Crook, 1998). According to Crook (1998), this marked a shift from a social housing program to one designed to stimulate construction at slightly below-market rents. Under the LD housing program, the control of rent was the key feature of rental assistance, which could not be increased without CMHC’s approval. The LD program was the major CMHC direct lending program for rental accommodation between 1946 and 1975, and was eventually replaced by ARP in 1975 (Lithwick, 1978).

The tax reform of 1972 discouraged the construction of new rental housing. This drop in new construction prompted the federal government to introduce two incentive programs for market rented housing: the Assisted Rental Programme (ARP – 1975 to 1978), and the Multiple Unit Rental Building (MURB – 1976 to 1981). Together these programs were responsible for nearly 358,000 dwellings, or 56 per cent of new rental housing construction over their lifetime in Canada (Crook, 1998). The ARP was introduced to stimulate rental starts and provide housing for low- to moderate-income renters (Peddie,
The program “was financed through mortgages from private lending institutions and supplemented by grants...to reduce costs and allow for a fair return on equity (5 per cent)” (Peddie, 1978, p. 24.). When the program was restructured in 1977, the grant was replaced by an interest-free assistance loan to bring rents down to market levels (Peddie, 1978). In some cases, developers building condominiums in the Downtown switched to ARP projects when the market became saturated. These projects often replaced older buildings, and the newer building would have required occupants to have higher incomes than those displaced by demolition (Vischer Skaburskis, Planners, 1979).

Conversely, the MURB returned many of the tax advantages of investing in private rental housing lost in the tax reforms of 1972. Ultimately, it recreated a tax shelter for individuals and non-real estate companies who invested in rental housing. This program resulted in a substantial increase in rental housing starts, moderate increases in rent, and significant increases in vacancies (Crook, 1998). However, Hulchanski (1989) suggests that while the subsidies for MURB projects were so large that in the late 1970s and early 1980s that rental housing construction outnumbered condominium starts, virtually all MURBs were stratified at the time of construction, but were rented out for a few years to take advantage of the high subsidies. This was part of the condominium conversion discussed in previous sections.

In 1982 the federal government introduced the Canada Rental Supply Programme (CRSP). Between 1982 and 1984 it was responsible for the creation of 24,000 units, or 15 per cent of all private rental starts (Crook, 1998). Similar to the ARP, the CRSP provided landlords an interest-free deferred repayment loan in exchange for five per cent of the dwellings to be devoted to tenants with disabilities and to let a third of the dwellings be dedicated to low-income households (Crook, 1998).
In the midst of a deep economic recession in the mid-1980s, the government ended the rental housing programs. Although the programs appear to have made positive contributions to Canada’s rental housing segment, Hulchanski (2004b) suggests that they had mixed results. Few units remained affordable for very long, and those with lower rents often were in poorly constructed buildings in poor locations. Even with subsidies, renters were penalized.

2.8. **Condominiums and the International City**

Any discussion of Vancouver’s housing market, including its rental sector, would be incomplete without exploring the influence of international investment in the region’s real estate market. Vancouver’s housing market is deeply interconnected with international flows of capital and people, particularly from Asia Pacific. While aspects of globalization between cities is not a new phenomenon, the extent to which processes of globalization are embedded in Vancouver’s real estate has had profound implications on the local housing market since the 1980s. The rise of international investment in Vancouver did not happen by chance, but was instead supported by a diverse array of social, cultural, political and economic systems (Ley, 2017; Olds, 1998; Olds, 2001). It should be noted that this section does not suggest that the involvement of foreigners in housing is a problem on its own, but that the ways in which housing is influenced by global flows of capital make it more responsive to international concerns, rather than to local ones.

In the early 1980s Canada experienced a deep recession, growing national debt, high unemployment rates, and declines in productivity and per capita GDP growth. While the impacts of the recession were felt nationwide, the economic crisis was exacerbated in
British Columbia. In Vancouver, the city’s housing bubble burst, causing the price of homes to fall 40 per cent in 1981 (Skaburskis, 1988). Primary industries in BC’s hinterland were failing, and the unemployment rate rose to double digits for much of the decade (Norcliffe, 1987). Government response to the economic downturn involved introducing a series of market-oriented reforms to stimulate the economy. Ley (2017) notes that the government’s “neoliberal menu included privatization, deregulation, welfare state rollbacks, and anti-union measures” (p. 18). At the same time, all three levels of government – municipal, provincial, and federal – noticed the growing and booming economy of Asia Pacific, particularly Hong Kong, and sought to enhance trade, capital flows and immigration (Ley, 2017; Olds, 2001).

The attention directed towards Hong Kong was deliberate because of the city’s wealth, as well as its political uncertainty. In 1997 Hong Kong would experience the handover to Mainland China, and affluent Hong Kong capitalists were apprehensive about the state of their assets with the colony’s return to Mainland China. During this time they looked to overseas business immigration programs to secure their wealth.

Canada’s business immigration programs were introduced as early as 1978, when a sub-category of the skilled worker stream allowed for applicants holding significant financial capital and possessing entrepreneurial experience. This entrepreneurial stream required immigrants to establish a business in Canada and employ at least one Canadian. In 1986 Canada introduced another business immigration stream for investors, which sought to recruit wealthy individuals. These two streams of immigration enabled high net worth individuals to buy Canadian visas if they invested capital in Canada. To attract attention to British Columbia as an investment destination, the provincial government
promoted Vancouver through the planning of the world’s fair, Expo 86 (Ley, 2017; Olds, 1998; Olds, 2001).

The provincial government hoped Expo 86 would be a pivotal moment in which “Vancouver presented itself on the world’s stage for the first time” (Harris, 2011, p. 713). The fair was situated on the former industrial grounds along the north shore of False Creek, and attracted international attention to this site, as well as to the region in general. The events had a distinct Pacific Rim flare, and specifically sought to attract attention from that region. While Expo 86 symbolizes an important moment in Vancouver’s history, Olds (2001) suggests that it was the sale of the Expo lands from the province to Li Ka-Shing, Hong Kong’s “most famous tycoon,” and his company, Concord Pacific, that had the most profound impact. The acquisition and subsequent development of the North Shore of False Creek in 1988 by Li Ka-shing’s company Concord Pacific is understood as a pivotal event that shaped Vancouver’s urban development and solidified a link between Vancouver and Hong Kong (Olds, 2001).

Li Ka-shing held celebrity status as one of the richest individuals in Hong Kong. His investment in Vancouver inspired other developers to do the same. Vancouver was becoming an increasingly “in” city where flows of immigrants and capital linked both sides of the Pacific. Mega-projects in Vancouver’s False Creek, particularly in the late 1980s established Vancouver’s connection to the Pacific Rim and cemented the city within the domain of global flows of capital and people. Concord Pacific was able to create a link between Vancouver and Hong Kong through the development of a trans-Pacific property market, and in particular, through the sale of luxury high-rise condominiums (Olds, 2001). Within a brief period, Vancouver was transformed into a welcoming, and open Pacific Rim city open for elite foreign investors (Mitchell, 1993; Olds, 1998; Olds, 2001).
Investing in residential property overseas served as a means for high net worth individuals to secure their wealth in times of political or economic strife. As previously discussed, Canada’s business immigration programmes provided opportunities for affluent households to invest overseas. Between 1980 and 2001, nearly 330,000 people landed in Canada through the various business programmes, the largest response of any nation (Wong, 2003). Of greater significance to housing markets is the landing destination of investors in Canada. British Columbia, especially Vancouver, was the most popular destination, where 49 per cent of all landings occurred between 1986 and 2008 (Ware, Fortin, & Paradis, 2010). Canadian programmes proved popular amongst high net worth individuals, and were largely comprised of immigrants from Greater China, especially the investor stream. Between 1986 and 2008, for example, 74 per cent of all those in the investor stream were from China (Ware et al., 2010). Immigration during this period contributed to the growth of Vancouver’s housing market, particularly with the onset of a “significant minority of millionaire households arriving from Hong Kong and Taiwan through the business immigration programme” (Ley & Tutchener, 2001, p. 220).

Knowledge of the potential implications of international investment in Vancouver in the 1980s was evident. According to Ho (1989, p. 77):

> The increasing internationalization of real estate in Vancouver means that the price of Vancouver real estate will continue to rise. As the world becomes smaller, the financing more international, markets will not only be influenced by local factors but many distant ones as well.

Ultimately, Vancouver’s affordability crisis cannot be understood without acknowledging the impact of international flows of capital in the region’s real estate.
Vancouver’s real estate was often marketed and sold offshore. Mitchell (1993) describes a three hour period on December 9, 1988 where buyers in Hong Kong purchased 216 luxury condominium units constructed by Grand Adex Developments on the south shore of False Creek in downtown Vancouver. Similarly, Ley (2017) notes that early in the development of the offshore investment it was estimated that 30 Vancouver condominium buildings had already sold out in East Asia without any marketing at all in Canada. These events are facilitated by real estate companies that work between Vancouver and principal cities in the Asia Pacific region. Drawing from his earlier work, Ley (2010, as cited in Ley 2017) demonstrates how offshore sales of Vancouver’s real estate were accomplished. According to one agent who worked in Hong Kong on behalf of a Vancouver based company:

I sold a lot of property through exhibitions. We would hold exhibitions in five-star hotels with a large room costing $20,000 for a weekend. We would be selling condos, single-family lots. I would sell half a dozen properties myself an average weekend. They would be lining up. The exhibition area would take 200, and the hotel security would have to turn people away. I also sold in Taiwan but did not do as well there. (Ley, 2010, p. 133, as cited in Ley, 2017, p. 24)

These transnational sales were often organized by companies within Vancouver that had strong connections to immigrant communities.

Offshore capital drove the top end of Vancouver’s market, often in Vancouver’s west side, West Vancouver, or in Richmond. Although varying each year, households in the entrepreneurial stream had an average of $1.2 to $1.6 million to spend on property. Conversely, those in the investor stream spent an average of $2 to $2.5 million (Ley,
2017). With these figures in mind, Ley (2017) notes that over the past 30 years, several billions of dollars have flowed into Canada. To illustrate the vast amounts of capital entering Vancouver from the Pacific Rim, Ley (2017) describes a discussion he had with a banker in Vancouver who confided in him that “his bank received $100 million in just one month from a branch in Taiwan, coinciding with threatening offshore exercises by the Chinese navy in 1995” (Ley, 2017, p. 22). The growth in Vancouver’s housing market, enabled through decades of neoliberal policy, have created a situation in which local household incomes are insufficient to purchase a home.

Between 2001 and 2014, average wages increased by 36.3 per cent in Metro Vancouver, while the average home resale value rose by nearly 63 per cent during this same period. This was exacerbated in the City of Vancouver where values rose by 211 per cent (Vancity, 2015). The fact that the housing market has dramatically outpaced wage increases is cause for concern, and illustrates how systems of globalization treat housing as an investment, rather than a need. Yet, despite the dire consequences caused by Vancouver’s unaffordable housing, the provincial government was reluctant to acknowledge a problem. Ley (2017) notes that the Liberal government denied that foreign investment was a significant factor in the province’s housing crisis, or that foreign ownership had anything to do with the government. Based on the previous discussion, these claims do not appear to be factual. For 30 years the government had initiated trade and used business immigration to draw entrepreneurs and their capital to British Columbia, and specifically, Vancouver. Furthermore, the provincial government benefited from property tax and the property transfer tax, which contributed $3 billion to provincial revenues in 2013 and 2014 (Ley, 2017). For every $1 million residential sale, the provincial government would receive $18,000. High real estate prices translated to more
revenue, and as Ley (2017) argues, the government was “reluctant to harm the goose that lays the golden egg” (p. 30).

In 2019, CMHC released a report outlining residency ownership and participation in British Columbia, Ontario, and Nova Scotia (CMHC, 2019). Findings from this report indicate that non-resident ownership in BC was more prevalent in newer properties with higher median assessment values (CMHC, 2019). This report also shows that non-resident ownership and participation are highest in condominium apartments compared to other property types. It also identifies the percentage of non-resident participation in the Vancouver census metropolitan area, which suggests that 11.2 per cent of condominiums in the Lower Mainland are owned by non-residents (CMHC, 2019). However, non-resident condominium owners favour newer and higher value units, and between 2011 and 2015, 14.3 per cent of all condominiums constructed within this period were purchased by non-resident owners, and between 2016 and 2017 this figure grew to 19.2 per cent (CMHC, 2019). For context, this CMHC report also analyzed the rate of non-resident participation in condominium construction in Toronto during the same periods. Here, non-resident ownership between 2011 and 2015 was 8.1 per cent, and it was 9 per cent between 2016 and 2017 (CMHC, 2019).

This data provides a better understanding of how non-resident owners drive a component of demand in Greater Vancouver’s housing system. Although data relating to international investment in Vancouver and rental housing are not available, information related to foreign capital driving the Lower Mainland’s real estate market, including condominium development, is well documented (Olds, 1998; Olds, 2001; Ley, 2017). It has profoundly influenced the region’s housing system, and although discussions about foreign investment and the cost of ownership are studied, it should be assumed that other
aspects of the housing continuum, in this case market rental housing, have also been impacted. Impacts on the housing system do not occur in isolation but can have rippling effects into other aspects of it.

The market’s response to build condominiums as a result of the demand for ownership, mostly from non-resident owners, has had serious implications on the region’s housing system. For example, the rising cost of homeownership in recent years has outpaced local household incomes. A result of this is that people are staying in rental housing longer (Vancity, 2015). This places more pressure on the market, reducing vacancy as well as driving up rents. Alternatively, condominium construction in Metro Vancouver frequently means the redevelopment of land with pre-existing uses. As discussed throughout this research, areas with older rental stock are vulnerable to redevelopment under principles of higher and best use because of their proximity to the city centre, and their zoning for multiple-use.

2.9. Suburban Revitalization and Transit Oriented Development

The majority of the literature explored to this point has largely focused on rental housing within the City of Vancouver. Although much of the Lower Mainland’s purpose-built rentals are concentrated within the central city, it is crucial to acknowledge the primary rental market within adjacent municipalities. The suburbs of Vancouver contain an important supply of the region’s overall rental housing stock. Much of this stock was also built during the rental housing boom during the 1950s, 1960s, and 1970s. Similar to the purpose-built rentals located in the city, these older units offer housing opportunities for those near the bottom of Metro Vancouver’s housing market. These buildings are also
prone to redevelopment. Suburban communities are not immune from processes of revitalization. New development in Metro Vancouver is often infill, and happens in areas that are underdeveloped. Thus, gentrification can occur in places with relatively affordable housing stock, and often results in physical renovation of deteriorated housing and infrastructure (Zuk, Bierbaum, Chapple, Gorska, & Loukaitou-Sideris, 2018). Various waves of gentrification have occurred in the inner city (Ley, 1996), but more recent studies have found that it is also occurring in suburban areas, especially along transit corridors.

Jones and Ley (2016) examined a low-income corridor that follows the alignment of the SkyTrain rapid transit route through Vancouver and its suburbs. This corridor contains concentrations of aging, private, low-rise apartments built through welfare state programs 40 to 50 years ago that have become the affordable homes of low-income residents. While proximity to transit is valuable for low-income households, these areas are subjected to policies that encourage transit-oriented development (TOD), allowing for the construction of high-density condominium towers around SkyTrain stations. Some studies have found that TOD initiatives have been shown to increase housing prices (Atkinson-Palombo, 2010; Duncan, 2011; Immergluck, 2009). Although some scholars argue that gentrification can bring benefits to an area, there is a general consensus that the negative effects of gentrification outweigh the positives. This is largely because of the displacement of vulnerable, low-income residents (Lin, 2002; Newman & Whyly, 2006).

Ultimately these state-endorsed transit-oriented development policies are enabling processes of reinvestment and displacement (Jones & Ley, 2016). In their discussion, Jones and Ley (2016) speak to the gentrification occurring in Burnaby, and the loss of older purpose-built rental housing for condominium development. Between 2013 and 2017, for example, 582 rental units were lost in Burnaby, a municipality that has become
well known for its demolishing of its older affordable housing to make space for high-rise condominiums (Metro Vancouver, 2018). Jones and Ley (2016) highlight one scenario in 2013 where a public hearing occurred for the rezoning of an apartment site in Maywood. In response to the housing concerns expressed at the loss of affordable housing, the City of Burnaby responded:

It is acknowledged that the issue of housing affordability is complex and challenging and influenced by many external factors such as market conditions – supply and demand, projected population growth, income, and market costs of land and building construction. While these existing units may provide a measure of affordable housing within the Town Centre, like many buildings that are nearing the end of their life-cycle, they are advanced for redevelopment based on market conditions, and as it becomes increasingly uneconomic to continue to repair and maintain older building stock as they age. (Burnaby, 2013, p. 3)

Jones and Ley argue that “Under this logic, almost all of the aging stock of purpose-built rental housing in Burnaby is now unprotected and a candidate for redevelopment” (2016, p. 17). In a neoliberal system where market ideologies are prevalent, meeting the needs of low-income residents is not a priority. There is no incentive to preserve or repair aging affordable units, especially in conjunction with land use policies that offer more dwelling units, profit to the developer, a density bonus for the municipality, public amenity enhancement, and environmental gains that have made TOD an irresistible tool (Jones and Ley, 2016, p. 19). In the neoliberal city, renters, particularly low-income households, are disproportionately penalized.
2.10. Current Housing Crisis and Government Response

Canada’s housing system is fractured. Hulchanski (2004b) argues that housing policy “is discriminatory in the way it treats owners and renters; and it is a system in which the market mechanism of supply and demand works for the ownership sector but not for the rental sector” (p. 229). In a system that relies almost exclusively on the market for the provision, allocation, and maintenance of housing, household income is a key determinant of the kinds of housing people are able to access. Poor households experience barriers to finding adequate and affordable housing because they are unable to compete with moderate- and high-income households for new housing supplies. Hulchanski (2004b; 2007) argues that these households generate a “social need” for housing rather than a “market demand”. The social need for housing tends to be mainly among renters whose income (and lack of wealth) cannot generate effective market demand. In recent years, however, demand for rental housing has increased due to moderate-income households who are unable to purchase homes because of the high cost of ownership, and are staying in rental housing (Vancity, 2015). This is placing a tremendous amount of pressure on an already stressed system.

Between June 2012 and June 2017, for example, the price of a single detached house in Greater Vancouver rose from $961,000 to $1,587,900 respectively, an increase of 65 per cent (Metro Vancouver, 2018). During this same period, the price of condominiums rose from $376,200 to $600,700, increasing by 60 per cent. Based on Metro Vancouver’s median household income of $72,662, an affordable unit is $385,000 (Metro Vancouver, 2018). There are few options at this price point, especially when particular housing needs, such as a unit’s size, location, and accessibility, have to be considered. Buying a single-family home or even a condominium is a luxury and limited to
higher-income households. The gap between the rich and the poor has manifested itself in the housing system (Hulchanski, 2004b). The Royal Bank of Canada (2018) released a report suggesting that the housing situation is poised to deteriorate further with rising interest rates. They argue that rental housing will become the only viable option for a growing proportion of households in Metro Vancouver (Royal Bank of Canada, 2018).

Those unable to purchase a house have a few other options other than the rental market. However, rent for a 1 bedroom apartment in a privately owned condominium in the secondary rental market as of October 2018 was $1,582, and $1,307 for a purpose-built rental (CMHC, 2018c). The high price of rent, coupled with low vacancy rates makes it increasingly difficult for people to find suitable shelter, and is particularly difficult for low-income households whose buildings are often vulnerable to demolition.

Demolition of older and affordable rental housing has devastating impacts on tenants because renters in older buildings often pay less than current market rates. This gap in the cost of rent has grown in recent years because of the rapid acceleration in rents in newly-listed units. If tenants in older buildings are evicted because of redevelopment, it may be difficult for them to find a new rental home within their community at a similar price. The high cost and limited supply of rental housing is placing more demand on non-market and social housing. However, the state of social housing in Canada, is less than ideal.

Waitlists for social housing in Metro Vancouver increased by 23 per cent from 8,955 in 2012 to 11,007 in 2017 (Metro Vancouver, 2018). The most extreme manifestation of housing and income inequality is homelessness. Regardless of the problems people who are homeless experience, one thing they have in common is a lack of housing.
Hulchanski (2004b, p. 226) asserts that “Homelessness does not occur by itself. It is not a ‘natural’ phenomenon. It is the outcome of ‘normal’ day-to-day societal practices.” The 2017 Homeless Count in Metro Vancouver found that 3,605 people are currently homeless in the region, up by 30 per cent from the previous count in 2014 (B.C. Non-Profit Housing Association & M. Thomson Consulting, 2017). As such, 2017 marks the 16th consecutive year that homelessness has increased in Metro Vancouver. Years of government policy that have relied on the market to govern housing have resulted in a housing crisis that disproportionately penalizes low-income and vulnerable communities. The housing crisis is not a coincidence, but rather a result of the market acting as it is intended.

Although the previous sections highlighted how government action tended to prioritize and privilege ownership above other forms of housing, over the past few years direct government intervention in the housing system has extended beyond ownership. In 2017, the federal government unveiled Canada’s first National Housing Strategy, a 10-year plan that allocates $40 billion to housing initiatives, particularly for lower-income households (Canada, 2017). This strategy seeks to “implement the right of every Canadian to access adequate housing” and affirm the International Covenant on Economic, Social and Cultural Rights it ratified in 1975 (Canada, 2017). The most progressive component of this plan is the government’s commitment to a human rights-based approach to housing. While this plan has been commended as a historic decision to recognize the right to housing (Office of the United Nations High Commissioner for Human Rights, 2017), in recent months there is doubt as to whether the government will recognize the right to adequate housing in its legal system, so that “rights holders may hold the Government accountable to the obligation to progressively realize this right”
A major component of this plan is focused on rental housing construction through the Rental Construction Financing (RCF) initiative.

This program provides low-cost loans to encourage the development of rental housing across Canada. The program provides up to $3.75 billion in loans between 2017 and 2021. The focus of this particular program is for standard apartment projects and does not support the construction of niche housing types (this is covered through other programs). Projects developed under RCF have certain affordability requirements they must meet. This includes 20 per cent of units having rents at or below 30 per cent of the median household income (CMHC, 2018b). In November 2018, CMHC “announced the construction and funding of 115 new rental housing units in Vancouver to help middle-class families have an affordable place to live” (CMHC, 2018a). Through the RCF, the federal government is set to invest over $40.2 million for the construction of this rental housing development. Of the promised 115 units, over 60 per cent of them will have rents at or lower than 30 per cent of median household income, under an agreement with the City of Vancouver (CMHC, 2018a). This government investment in rental housing and commitment to creating diverse affordable housing options marks a distinct shift in the trajectory of rental housing development in Canada. Other recent changes at the provincial level also illustrate prioritizing local communities.

In 2016, the provincial government introduced an additional 15 per cent property transfer tax for foreign buyers in specified areas of BC, including Metro Vancouver. This tax was introduced as a way to disincentivize international flows of capital into the province’s real estate market. In early 2018, the tax was increased to 20 per cent of the fair market value, as well as the areas that it worked within. This was done to discourage investment in neighbouring regions. Since its inception, this tax has effectively relieved
excessive real estate investment in British Columbia. However, this does not mean that housing has become more affordable. It is simply one step towards supporting a housing system built on the needs of the local population.

The provincial government also granted local governments the authority to zone for rental housing. Although the extent to which this new power can help alleviate the rental housing crisis in Metro Vancouver is not yet known, rental zoning may provide local governments with a stronger tool to address their rental housing objectives.

The intent of this research is to explore the potential implications of applying rental zoning. As of yet, there is no legislation of this kind in North America or literature that comprehensively explores this new tool. The introduction of zoning land for rental tenure in the midst of the current housing crisis, and in the context of previous polices that have prioritized and privileged ownership above renting, is reminiscent of past government intervention in land use regulations: the Agricultural Land Reserve (ALR). The following sections will explore the formation and outcomes of the ALR, and eventually compare it to rental zoning.

2.11. Landuse Regulation and Preservation: The Agricultural Land Reserve

British Columbia’s topography is characterized by mountainous terrain and fertile valleys. Within the entire province agricultural land accounts for less than five per cent of the total area, and prime land is only about one per cent (Baxter, 1974). The regions that are best suited for intensive cultivation because of their soil and climate also happen to be
the most populous. In the 1960s expansion of urban areas posed a significant threat to agricultural land, especially in the fertile areas adjacent to Vancouver.

During this time, between 4,000 and 6,000 hectares of prime agricultural land were lost to urbanization annually (Agricultural Land Commission, 2014; Baxter, 1974). This was a substantial rate of conversion given the province’s relatively small farmland base (Hanna, 1997). According to Baxter (1974), urbanization increases the cost of farming faster than farm incomes rise. Anticipating development demand, there was a strong incentive for many farmers to sell their land for immediate or future urban use (Baxter, 1974). The realization that expanding urban centres were becoming an enormous threat to the small amount of agricultural land that remained led to the development of policy for the conservation of farmland.

While regional attempts to preserve farmland in the Lower Mainland were made, the 1972 provincial election proved to be the turning point in protecting farmland through land-use regulation. Each of the four major parties had policies directly related to the preservation of farmland (Baxter, 1974). These policies varied from the Liberal’s “Agricultural Land Trust”, which would purchase the development rights for farmland to preserve land from ill-considered land speculation, the Progressive Conservative Party’s long-range planning to ensure the best agricultural land is used for agriculture and not wasted on other purposes through a lack of planning, and the NDP’s land-zoning programme (Baxter, 1974). The NDP won the 1972 election, and soon after announced that the government would introduce legislation to prevent the rezoning of farmland to urban uses (Baxter, 1974). The government’s position symbolizes that agricultural land was intended to be used for agricultural purposes. While no set of controls had been introduced, the government’s policy statement sparked a furry of rezoning applications.
The provincial government responded by implementing an Order in Council that introduced a farmland freeze, which prohibited any further subdivision of farmland (Baxter, 1974). Legislation followed in 1973 with the passing of the *Land Commission Act*. The act’s primary objective was to preserve agricultural land for farm use, but it also emphasized the family farm and farm communities, and the provision for creating green belts, and creating a commission to administer the agricultural land reserve (Baxter, 1975; Hanna, 1997).

The Reserve boundaries were determined based on the capability and suitability of the land, its present use, local zoning and public input (Agricultural Land Commission, 2014). The Reserve was to include all Canada Land Inventory class 1 to 4 agricultural lands not already developed, or land that had been designated as agricultural for tax purposes. Between 1974 and 1976, 4.7 million hectares of the reserve were identified (Agricultural Land Commission, 2014). According to the Agricultural Land Commission (ALC), the Reserve “protected the 5% of [what] BC judged to be most critical to the province’s food production” (2014).

The primary purpose of the ALR was to protect agricultural land from development and to maintain it as farmland by limiting subdivision and nonfarm activities. Researchers conducted a study that explored the effectiveness of the ALR in preventing urban development and preserving farmland by examining farmland sales over 35 years (Eagle, Eagle, Stobbe, & Cornelis van Kooten, 2014). They found that while the ALR does preserve farmland for future use, it does not adequately preserve land for active agriculture. Eagle et al. (2014) suggest that policy makers must combine regulatory protection with positive reinforcement of farming activity to support the agricultural use of land. According to Hanna, “Placing farmland within a strict reserve cannot in itself insure
that such land will be used for farming, nor can it insure that capability will be maintained or enhanced, or that good stewardship will be practised" (1997, p. 169). Ultimately, the ALR was successful in slowing the development of farmland. It is largely understood as a mechanism to stabilize speculation in farmland by controlling development and reducing land value.

Regulating land-use as a way to preserve and protect resources or a particular use is not a new phenomenon. Hanna (1997) notes how many jurisdictions across North America have developed policies to encourage land-use conservation in industries such as agriculture, forestry, or in the protection of ecosystems such as wetlands or grasslands. What is interesting is using regulation as a way to preserve and protect a form of housing tenure. The rise of rental zoning and the agricultural land reserve have several parallels that are worth exploring and juxtaposing. Given that the ALR has been in place for 43 years, perhaps some insights and lessons can be extrapolated and applied to rental zoning.

2.12. Parallels between Rental Zoning and the Agricultural Land Reserve

It should be noted that while there are similarities between the ALR and rental zoning, there are fundamental differences in their structure and governing bodies. For instance, the ALR is not actually zoning, although it does allow for the preservation of farmland through a zoning-like tool. The ALR is also regulated by the province through the ALC, and is subject to their land use regulations, not local governments. Additionally, land that falls within the ALR is subject to mandatory regulations established by the ALC, whereas rental zoning is an optional tool that local governments can adopt and implement.
at their discretion. That being said, there is a strong resemblance between the intentions of the ALR and rental zoning that are worthy of exploration.

The loss of farmland to development spurred a realization that some form of policy for conserving agricultural land was necessary. Conversion of prime farmland to development was rampant in the years prior to the formation of the ALR in 1973. This draws a striking comparison to rental zoning. Prior to the condominium, land zoned multi-family was intended for rental housing. The introduction of condominiums created competition for scarcely available land zoned for multi-family development. Additionally, the demolition of rental housing apartments, or their conversion to condominiums, further reduced some of Metro Vancouver’s most affordable rental housing units. Thousands of tenants were displaced, many of whom were from lower-income households. In both circumstances, the threat of development of intrinsically valuable land for farming purposes and housing encouraged direct government intervention to protect land from development. While the effects of rental zoning are yet to be seen, the ALR has operated for decades and provides a glimpse into how land use regulation as a preservationist tool works in reality.

Since its inception, the ALC has been favourable amongst the public, able to draw support by “forcing modern conceptions of community, quality of life issues, and the desires of the no-growth movement to the forefront of its mandate” (Eagle, et al., 2014; Garrish, 2002,p. 38). Part of the ALC’s success lies with its ability to preserve agricultural land through regulation. Although it has achieved a degree of success in meeting its goals, it is also an approach that relies heavily on government intervention into the customary rights of property owners (Hanna, 1997). The ALR is a land reserve model that constitutes a significant limitation of property rights where compliance is not encouraged through
incentive, but is imposed through strict use of regulation (Hanna, 1997). The ALR has been effective in slowing the conversion of farmland to non-agricultural uses: if the ALR had not existed, it is likely that a majority of applications made to regional or municipal governments for non-agricultural use or other development would have been approved, because prime agricultural areas have been a major source of land for urbanization in Canada (Hanna, 1997). However, placing farmland within a strict reserve cannot in itself ensure that land will be used for farming, nor can it ensure that capability will be maintained or enhanced, or that good stewardship will be practiced (Hanna, 1997). Because BC’s ALR protects land from development but does not dictate use, it may not adequately preserve land for active agriculture (Eagle et al., 2014). It is estimated that at only 25 to 50 per cent of the land in the reserves would have been actively farmed. Thus, the value in the ALR is not in its ability to encourage agriculture, although this was one of its founding mandates, but to conserve and protect farmland from development (Garrish, 2002).

In BC, the ALR can provide a good foundation for achieving a broader approach to farmland conservation. But policy approaches must be integrated across jurisdictions and interests in order to realize good conservation practice, address equity, and respond to the range of complex issues that must be recognized in order to realize long term protection of a land base (Hanna, 1997).

As previously discussed, the intent of rental zoning is to give local governments a greater ability to preserve and increase the overall supply of rental housing, housing choice, and affordability (British Columbia, 2018b). With the outcomes of the ALR in mind, designating land as rental may have success in preserving existing rental housing from immediate development. In doing so, it may reduce the displacement of lower-income and vulnerable households. However, the inadequate condition of existing rental housing
stock, its age and poor condition, may inevitably lead it to succumb to development. If a property is zoned for rental tenure, however, any redevelopment that occurs on that property would be required to replace the rental housing at the discretion of the municipality. For example, a municipality could require that rental units are replaced at a 1 to 1 ratio, or allocate a percentage of a building as rental. However, new market rate rentals are often much more expensive than older stock, and would likely be unaffordable for current tenants.

Zoning land for rental does not guarantee that rental housing will be built. In fact, developers have the option to rezone the land for another use, although this would be a public process. The notion that rental zoning may not guarantee the development of rental housing is similar to the ALR, which cannot ensure that farmland is actively used for agricultural activity.

2.13. **Summary**

This literature review has comprehensively explored an array of topics that have influenced and shaped market rental housing in Metro Vancouver since the early twentieth century. In order to understand the current housing crisis that exists today, it is pertinent to frame it within a wider historical context. For the past several decades, Canada’s housing system has favoured ownership over other forms of housing. In doing so, those unable to enter the market have been particularly vulnerable to its whims, sometimes with devastating consequences. Recent initiatives undertaken by various forms of government signal a potential shift in how housing is perceived in Canada. Rental zoning is a part of this wave of new initiatives. The following chapter outlines the methods used for this
research to understand what the potential implications of applying rental zoning might be in Metro Vancouver.
Chapter 3. Methodology

3.1. Research Design

Rental zoning is a new concept, and since its introduction in May 2018, some municipalities within Metro Vancouver have done preliminary research to understand how this tool could be used to achieve their rental housing objectives. Although perceptions of rental zoning are subject to change, particularly as it becomes more widely understood, exploring the potential implications of this new tool in its early stages may illustrate conceivable opportunities and constraints if implemented. To achieve this, this study employed a cross-sectional research design, providing a snapshot of a population’s interests (Bourque, 2004; Wiebe, Durepos, & Mills, 2010), and semi-directed interviews.

3.2. Research Methods

Qualitative data was collected through semi-structured interviews with planners employed by local governments within Metro Vancouver. Planners were initially contacted through email, which was obtained online from publicly available sources. To find planners’ contact information, staff directories and municipalities’ websites were searched using key terms such as “social planner” or “rental housing” to find planners who may work within the realm of rental housing.

Metro Vancouver is comprised of 21 municipalities. Of these municipalities, 13 planners were sent a recruitment email detailing the purpose of the research and the preferred qualifications of potential participants: planners with interest in, or experience with, developing market rental housing policies. Some participants were recruited directly
through this initial email, while others were recruited through snowball sampling based on the suggestions of the recruited participants. Snowball sampling was a helpful way to recruit the targeted group of participants, and also provided a means of accessing planners whose names did not initially appear in the recruitment process. In total, 6 interviews were conducted between January and February 2019. These interviews lasted between 30 to 45 minutes in length.

3.3. **Rationale**

Semi-structured interviews were selected as a tool to collect data because they are well suited for the exploration of participants’ opinions and perceptions on complex subjects. Unlike structured interviews, semi-structured interviews allow the researcher to probe for information and clarification of answers, which enables participants to elaborate on concepts (Harrell & Bradley, 2009). This was particularly useful for this research since no scholarly literature on rental zoning exists yet. In doing so, participants were able to elaborate on concepts, providing a greater depth of information. Speaking with municipal planners provided thorough understanding of rental zoning and its potential implications if implemented.

Planners, especially social planners, working in local governments were selected for several reasons. First, their jobs often encompass housing related issues. For example, they may be involved in developing, implementing, or monitoring housing strategies in their municipalities, and are aware of the strengths and limitations of housing in their respected municipality. Additionally, it is often social planners who have been tasked with researching rental zoning and understanding how it can be used in their municipality to help support their housing objectives. This was especially important for this
research because rental zoning is not well known, and speaking with social planners provided an expert perspective into this topic because they are generally familiar with the new legislation and how it might impact their communities if introduced.

It should be noted that for the purpose of this research planners were asked to express their personal professional opinions during the interviews, and were not speaking on behalf of their respective municipality. This allowed planners to speak freely about their thoughts on rental zoning, regardless of the position of their employer.

3.4. Data Collection and Analysis

With the consent of participants, each interview was audio-recorded. Detailed notes were also written by the interviewer. At the end of each session, the digital recording was transcribed onto a digital word format. Once the transcriptions or notes were approved by participants, thematic analysis began: similarities or groupings of responses were identified, themes were extrapolated, and commonalities observed. These themes are presented in Chapter 4 and discussed in Chapter 5.

3.5. Ethical Considerations

This research received ethical approval from Vancouver Island University’s Research Ethics Board. As is true of research involving human subjects, even a simple research structure can raise ethical concerns. In this study, it was possible that participants could experience negative ramifications to their professional credibility and even their employment as a result of partaking in this study. That is, if an employer took issue with the comments of the planner or if other professional planners felt the comments
of one of their colleagues was unethical or too critical, it is possible that a planner could lose their employment, be subject to a professional ethics investigation, or be damaged professionally. To mitigate these risks, participants were given a copy of their interview transcription or notes to review, and if desired, to make revisions. After receiving their transcription or notes, participants had up to 10 days to make changes. This was an opportunity for participants to amend their comments or withdraw from the research without consequences.

Although participants were contacted through publicly available information on their municipality’s website, the purpose of this research was not to ask them to speak on behalf of their employer, but from their personal and professional experience and knowledge. All precautions have been taken to ensure that participants are not identifiable in this study. No participant is directly attributed with a quote or specific comment, as their identity is only recorded as “respondent 1” in this research, or in any subsequent publication. Even with these precautions, it is recognized that the small sample size used for this study, the small number of planners engaged in this area of practice, and the fact that only 2 local governments have adopted rental zoning as a mechanism for controlling growth and change in a municipality could enable a reader (or employer) to identify, or at least speculate, on the identity of a respondent. This fact was discussed with the participants and participants were still interested in and willing to participate. The careful attention to reviewing the transcripts and ensuring that participants were aware that they could withdraw from the study at multiple points were steps that were taken to minimize any potential harm participants may experience as a result of participating in this research.

Prior to the interview, participants were also sent an informed consent form to review and sign. Consent forms provided more details about the research, as well as their
role within it as participants of the study. The consent form also provided participants with information about the ongoing opportunities to withdraw from the study at any point prior to final sign-off on the transcript from their interviews. Just before interviews took place, the consent forms were again reviewed, at which point participants had opportunities to ask questions about the research. During this time participants were reminded that they would be able to withdraw from the study before or during the interview, or within 10 days of receiving their interview transcript without consequences.

3.6. **Limitations**

While speaking with municipal planners provided a particular lens into rental zoning and its potential implications, it is noted that focusing on one group in one professional occupation did not allow for the inclusion of the perspectives of the many. That is, this research would have benefited from integrating different perspectives that are involved in market rental housing, including developers, non-profit organizations, and scholars. However, the time restriction of this research required the researcher to narrow the scope and the limitation to one component of those involved in rental housing in Metro Vancouver.
Chapter 4. **Results and Findings**

4.1. **Introduction**

This chapter will present the findings from the interviews with municipal planners, illustrating some of the potential implications of applying rental zoning. To understand the conceivable opportunities and constraints of rental zoning, this research is guided by a statement made by the provincial government that indicates the intent of rental zoning “is to give local governments greater ability to preserve and increase the overall supply of rental housing in their communities, and increase housing choice and affordability” (British Columbia, 2018b). The sub-questions of this research are rooted in this statement, and include:

1. How can rental zoning preserve existing and increase the overall supply of rental housing?
2. How can rental zoning increase housing choice and affordability?
3. What might be some unintended consequences of rental zoning?

Several themes relating to these questions emerged from the interviews with planners. These themes will be discussed in greater detail in the following sections, along with additional unexpected topics that were raised during the interviews.

4.2. **General Impressions**

Overall, rental zoning was positively perceived by municipal planners. Several planners noted that they were “excited to see the province respond to what municipalities have been asking for” (respondent 1), and were curious about the potential of this new
tool and how it could be applied to achieve the housing objectives of their municipality. One planner, for example, stated that “Giving local governments more tools is helpful in addressing housing needs” (respondent 4). However, the extent to which rental zoning can fundamentally help alleviate the rental housing crisis, with regards to preserving existing stock, increasing the overall supply and choice, and addressing affordability, was questioned by participants.

4.3. Preservation of Existing Stock

The application of rental zoning as a tool to protect existing rental stock was frequently mentioned by participants. One planner summarized how rental zoning could be used to help protect their existing stock, which is older and subject to redevelopment:

[W]e have a lot of properties that are zoned apartment and developed as rental. They’re developed at lower densities than they could develop at in their existing zone. They’re fairly vulnerable in that they could be redeveloped without a rezoning. If we had that rental zoning on there, there would be more clarity about our expectations [as a municipality] and more ability to ensure that if redevelopment happens, we protect our rental stock. (respondent 1)

Another planner echoed this statement by suggesting that rental zoning might help to ensure that if “existing [rental] stock is being redeveloped, that it’s being redeveloped as rental” (respondent 5). Under this application, rental zoning can be used as a way to secure vulnerable rental housing. These statements speak to the reality of Metro Vancouver’s aging rental stock and the long history of losing this important supply to redevelopment.
Although several planners suggested that rental zoning could be used as a tool to protect rental stock, other planners noted that preservation of existing rental housing is already possible through policy. Under these circumstances, the application of rental zoning to protect existing stock may be beneficial for municipalities who do not have protectionist policies in place. One planner highlights how the implementation of rental zoning for protection may be relevant for one municipality, but not essential for another:

Other municipalities have used it more as a preservation tool for existing rental buildings. I know it’s what happened in New Westminster because their corporate policies could not protect the six privately held sites, as the buildings were already stratified. In their case the rezoning was necessary to keep those units as rentals. I completely understand why they went that direction with that policy in terms of protecting those strata-built rental units. But…we don’t have that situation out here so we don’t really need to apply it in that direction. (respondent 2)

This speaks to the flexibility of this tool and how local governments can implement it depending on their housing needs.

Although several planners noted the importance of protecting the existing stock, some acknowledged that replacing affordable market rental housing can be problematic for existing, long-term tenants. One participant spoke to current rental housing construction occurring in their municipality where older rental stock is being replaced by newer market rental units: “Because of our incentives we are creating more rental units, but if you live in one of those units and you pay $1,000 a month for a 2 bedroom you won’t be able to afford a new market rate rental” (respondent 3). While this is occurring without rental zoning, it raises concerns as to how a balance can be achieved between protecting existing, affordable rental housing while creating a new supply, especially when applying
Another planner spoke to the difficulty of achieving this balance:

What we need to do is to have it as a tool that basically incentivizes where we want rental to go and to avoid creating a situation where it stops new development from happening. I think where it gets tricky is that we also want to protect the existing affordable housing in those areas. Not to incentivize the redevelopment of those old apartment stocks that do have the affordable rents, but to create new stock out there as well. I think it’s a really tricky aspect to get that right, and we’re still working through that process of how we do both. How do we create the new stock, as well as protecting the affordable stock? (respondent 2)

Navigating this balance between redevelopment and preservation may pose serious challenges for municipalities as they explore rental zoning.

Interestingly, other planners acknowledged that rental zoning may be able to provide additional protection to existing rental housing by reflecting the existing tenure, but were more skeptical as to how secure this protection would be when it comes to rezoning when they are subject to existing policy, and to a certain extent, negotiation. One planner suggested that:

the protection that is offered through [rental] zoning is pulled off when someone comes to rezone, and yes it exists in the zoning bylaw as a note, both to the local government and to the property owner, in terms of what is anticipated to be existing post development, but it is subject to policy and negotiation. (respondent 6)
Simply because a property is zoned for rental tenure does not ultimately protect existing rental stock. It simply means that it would have to go through a public process, and is subject to change depending on the priorities of a local government’s mayor and council.

4.4. **New Supply of Rental Housing**

The lack of rental housing construction over the past few decades was noted by several planners. Despite the deficiency of purpose-built rental construction, there is a strong demand for rental housing in Metro Vancouver, particularly as the population increases and as ownership becomes less attainable for moderate-income households. According to one planner:

> There’s just so much of a demand for rental in the region that it will probably be a 20 to 25 year period for us to even hit these targets to create supply before you can even see any kind of softening of the market. The demand that is out there for the region is so significant that any tool that we can use to create more rental is a good thing. (respondent 2)

Despite the high demand, developing market rental housing has been a challenge in Metro Vancouver. According to other planners, more direct government intervention is necessary to get this type of housing built because it is unlikely that the market will respond to this need:

> The market has not been producing enough rental housing in the past 20 plus years...We have a couple of decades deficit and we have a great shortage of rental housing. We probably won’t get enough people voluntarily stepping forward and wanting to create either market or non-market rental housing. This is a tool that we can use to require rental in
specific areas of the city… I think it can have the potential to increase the stock, [and] increase the supply. (respondent 5)

The application of rental zoning may also be beneficial to help local governments meet their anticipated rental needs by identifying land for rental tenure:

We all have projected rental needs in the Metro Vancouver Regional Growth Strategy. It can be hard to see how we are going to make that happen, but if we can identify land that’s actually been designated for rental then we can start to have more ability to control that. If we can bring the bylaw along hopefully development follows. (respondent 1)

While identifying land for rental may be important to plan for long-term rental housing needs, it does not adequately explain how new rental housing supply will be produced. Zoning land for rental tenure does not guarantee that rental housing will be built on that land, and some participants emphasized the need for additional incentives for developers.

Developing rental housing is challenging in Metro Vancouver. The high cost of land is a significant barrier for developers who are unable to make the finances work. One planner noted that “If a city proposes policies like rental zoning it doesn’t create the necessary incentives for the developers to build these units. If there are no incentives they will not build it and the land [will] just sit empty” (respondent 3). One planner provided an example in which upzoning underutilized land could incentivize rental housing construction:

Again, I see it as a better tool to actually create better supply out there. The land costs in Metro Vancouver are so high that it really messes with the proformas of these projects to be able to get them off the ground. There is basically no cost difference to build a rental versus a condo. Essentially for
a lot of these rental projects to be able to get off the ground they need some boost to get them over that line. In terms of how we can incentivize that development, rental zoning would help if you were to put that onto underutilized land that could then go up significantly for density. If you’re cutting out a lot of that land costs those projects will be able to get out of the ground a lot quicker and easier. (respondent 2)

Under these circumstances, up-zoning low-density areas through rental zoning may create suitable conditions that incentivize the construction of rental housing. According to one planner, “Under basic economics and incentives the development community will build that supply” (respondent 3). If applied in an appropriate context, rental zoning may be able to create “an easier situation for that tenure type to be built” (respondent 2). However, developing rental housing may still not be the priority of the development community.

Condominiums have been a primary form of development in Metro Vancouver for the past 40 years. One planner suggests that building condominiums may still be the predominant form of development in the Lower Mainland, regardless of rental zoning:

The economics behind creating a strata is so much easier for developers than it is to do a market rental. I think their natural instinct will be to build condominiums. They all know how that process works and they all know how the lending works. There are definitely certain developers that specialize on the rental building, it’s just that the process is so much easier that I think we’ll continue to see a greater proportion of strata being built over rentals. It will be up to us to figure out how fine-grained to go with this tool to assist with the development of more rentals. (respondent 2)
Condominium development has been so engrained into developers that it may take incentives for them to develop rental housing. Rental zoning in and of itself may not be able to encourage the development of purpose-built rental apartments without additional incentives.

4.5. **Housing Choice**

The ability of rental zoning to support greater housing choice was briefly mentioned by some planners. In one planner’s municipality, the majority of rental housing is provided through the secondary rental market, which is less secure and may put tenants into vulnerable situations. This planner suggested that “designating land for that particular tenure increases the choice” (respondent 1). Under these circumstances, designating land for rental tenure may provide renters more housing options beyond the secondary market. Similarly, another planner spoke to the need for more housing options because moderate-income households are unable to access ownership: “In terms of housing choice, we know there’s an increasing number of people who can’t make the jump into ownership, and we don’t have enough rental supply” (respondent 5). Creating more options for housing, “just [by] increasing the choice around rental as a viable option, and in different locations” may provide households more options that meet their needs (respondent 5). This planner also highlights how municipalities are struggling to secure rental housing near transit hubs, and suggests that this “tool could be used to ensure that happens.”

4.6. **Affordability**

There was a general agreement amongst participants that new market rental housing is unaffordable. One participant noted that rental “zoning isn’t for non-market or
low-income [households]. And, most new rental is, if anything, not affordable enough” (respondent 1). Other planners echoed this sentiment, suggesting that it is the high rent charged by developers that has “driven any sort of rental development recently, in that they can pull back so much more money now versus what they could before because of how high the rent is that it makes the finances work” (respondent 2). Under these circumstances, new market rental housing is “affordable to the higher-income renters who are renting because they can’t afford to buy and are moving into the newer rental units” (respondent 3). With regards to rental zoning, one planner suggested that this tool may not be able to address affordability directly, but perhaps layered with other tools, such as housing agreements, it might be possible to incorporate an affordability component (respondent 5). However, this planner cautioned that “if you do too much it’s not going to get built because it won’t be feasible to build it” (respondent 5).

While most planners agreed that rental zoning in and of itself would not create affordable housing, they did suggest that locations identified for rental zoning could have positive repercussions on tenants’ overall budgets that would make new market rental housing a more affordable option. For example, one planner spoke to the opportunities of applying rental zoning near transit stations to reduce renters’ transportation costs:

We have the ability to put rental housing near transit stations to help with affordability by knocking down the transit costs so that, even if these are market rentals, and are probably out of the affordability spectrum for a lot of people, we’re hoping to find at least some balance in that we can get at least the transit cost down for renters so that they come out a little more affordable in the overall budgeting. (respondent 2)
Other planners also spoke of the need to secure rental housing near transit hubs, likely because of the opportunity to reduce transportation costs.

Another planner suggested that affordable rental housing could emerge through basic supply and demand economics. This planner noted that if rental zoning can support the creation of new rental housing, hopefully it will be occupied, thus increasing the vacancy rate. The planner stated that this would “have the effect of pushing up supply and pushing down the rental prices, and the rent. It’s simply supply and demand economics” (respondent 3).

The upzoning of underutilized land was previously discussed as a way to incentivize the creation of new rental housing. By upzoning underutilized land, it may make it more financially viable for developers to build rental housing by alleviating some of the pressures around the land value. One planner suggested that:

If you knock down the cost of that land versus a strata land property, which you see currently, that would be very beneficial in the long term to create the stock that you need, as well as potentially lowering the cost of the rent. (respondent 2)

In this instance, affordability is introduced by reducing the speculative cost of land to entice developers to build rental housing by making it financially viable, and with the potential of reducing the cost of rent.

Creating affordable rental stock to ensure that people can live in the community is a priority of municipalities throughout the Lower Mainland. But, as one planner put it, “we’re running into these situations where we can’t get anyone in here to build it. I hope that will be where rental tenure can help mitigate part of that situation” (respondent 2).
4.7. **Unintended Consequences**

Although each planner stated that they were pleased to see the province introduce rental zoning, some also expressed concerns about this tool and potential negative implications that could arise if local governments choose to apply it.

As previously discussed, the allocation of housing responsibility is not formally recognized in Canada’s legislation. As such, there is some ambiguity as to which body of government is responsible for housing matters. One planner noted that while they think granting municipalities the power of rental zoning is “long overdue,” they also suggested that this tool is:

> a downloading of responsibilities and shifting blame. Housing is a problem that everyone should be trying to solve, and with the province giving municipalities this optional authority, it puts more pressure and blame on municipalities for not solving the affordability crisis. It should be a sharing of responsibilities between governments. (respondent 3)

Local governments are at the front lines of the housing crisis and are expected to fix housing situations, but often lack the resources and capital needed to make substantial change. Another planner noted the need for more government involvement in creating more housing options:

> [T]here needs to be a greater push from the federal and provincial government to create the social housing aspects out there, because even if you’re getting these places right now that are renting for…$1,200 on average for these old stock, there’s still going to be a gap there [for households] that are making less than $50,000. (respondent 2)
Zoning for tenure may be helpful, but there are limits to what municipal governments can do: support and resources from other government bodies is necessary to tackle other aspects of the housing system that require government involvement.

Several planners discussed the potential implications on property values that could arise if rental zoning were applied. One planner summarized how rental zoning could reduce a property’s value: “If, for example, a local government applied rental zoning on existing rental properties, to reflect existing tenure, a property owner may consider that to impact their property value because it could restrict their future redevelopment potential” (respondent 6). Although property owners may be upset about the potential restriction on their redevelopment potential, one planner noted that “This is not necessarily a concern for government, but it could potentially discourage developers from bringing projects to market, which could then potentially lead to less supply and higher housing prices” (respondent 4). Another participant echoed this statement, adding that “it would be unfortunate if rental zoning triggered a disinvestment in our rental stock if redevelopment was viewed as no longer possible,” but later emphasized that they “think it’s a bit of a scare tactic” from the development community (respondent 1). They insinuated that they often hear concerns about how decisions made by a local government will halt development, “but development chugs along.” This planner also acknowledged that:

Obviously there’s a limit at which we don’t want to tip the balance. But also, just because something isn’t viable in the moment, if in the long term our community needs this, we might have to wait a bit longer for those insights to develop. It could still be worth the wait. (respondent 1)

If rental housing is what the community needs, rental zoning may be an appropriate option for local governments to use to address this concern.
Although interviewing other actors involved in market rental housing was beyond the scope of this research, a few participants alluded to concerns arising from non-profits operating in Metro Vancouver that are worth mentioning. One planner stated that they have:

spoken with some non-profit operators who are a bit concerned about rental zoning when they’re looking at their whole portfolio if they want to be able to do land swaps or redevelop a site with a mix of strata and rental in order to make something financially viable. We do want to see that increase of investment and increase of rental stock happen. So we don’t want to veer that away. (respondent 1)

Additionally, another planner stated that representatives from a non-profit organization mentioned being apprehensive about rental zoning being applied to their properties because it could affect their ability to redevelop the site. This non-profit’s model uses the rents from their affordable housing to pay for their operating costs, “so every time they go to redevelop another site they need basically all the land value to work to get the funding they need to build” (respondent 2). The fear here is that rental zoning would decrease the redevelopment potential, and subsequently the price of that property. Although these perspectives may not fully represent the sentiments of the whole non-profit sector towards rental zoning, they provide a glimpse into the intricacies of the players involved in rental housing.
4.8. Emerging Topics

4.8.1. Public Demand and Government Response

The public demand for rental housing and subsequent political responses from government were also discussed by some planners. The very adoption of rental zoning was perceived by some planners as a way to address the needs and concerns of a community. One participant noted that a municipality’s choice to adopt rental zoning is largely a political issue. This planner used Burnaby as an example “because of their failure to protect purpose-built rentals from demolition. I think people wanted to see different leadership that would build for the people that live there. People got pushed further and further east” (respondent 3). Another planner also spoke to the introduction of this tool by the provincial government during an election year: the timing “made rental housing a more important election issue” (respondent 4). Alternatively, another planner noted that adopting rental zoning may depend on who local governments perceive their main constituents to be:

It might depend on whether a municipality sees itself as primarily made up of owners and if that’s a valuable thing to strive for. If that’s the main constituents, or that renters are part of the city and equal residents. And it might also be a lack of understanding – we have lots of dialogue around ownership and that we need to make ownership more affordable, and we have less dialogue around the challenges facing renters, which they’re both of the same thing. The degree to which renters are struggling in comparison to owners is much higher. Is that a political priority? Do we want to put our energy and decision-making power towards that? It will be really interesting to see who takes this up and who doesn’t. (respondent 5)
If rental housing is a public priority and if there is outcry for more diverse housing options, mayors and councils across the Lower Mainland may respond to these needs by adopting rental zoning. One participant noted that it may be a few years before some municipalities readily adopt this new tool, alluding to new legislation that requires local governments to do housing needs reports:

The Province has introduced legislation that will require municipalities to complete housing needs reports within 3 years, and, after that, at every 5 year interval. It is possible that local governments will wait on the results of their housing needs reports before considering the use of rental zoning. (respondent 4)

The intent of these reports is to help local governments understand what kinds of housing are most needed in their community. These reports would inform policies, and development decisions to respond to current and future needs. Planners interviewed for this research also noted that the ability to zone for tenure is a transparent way to communicate the needs of a community, as well as a stronger tool to protect rental stock compared to other policy options available.

4.8.2. Communication

The ability to clearly communicate policy through zoning was an interesting topic that emerged. According to one participant, “One of the major benefits I see is that by reflecting policy in zoning, it becomes clear to stakeholders, to the public, and to developers what the intent is on a specific property” (respondent 6). Another planner reiterated this statement, suggesting that zoning land for rental tenure “just clarifies expectations about what we are expecting on these various pieces of land” (respondent
1). Under these circumstances, rental zoning is a clear, transparent tool available to local governments to communicate their current and anticipated rental housing needs, and to help them secure housing in accordance with those needs. One participant also noted that rental zoning is a tool amongst other tools available to local governments, such as housing agreements, covenants, and official community plan policy, that help secure rental housing. They also noted that “time will tell whether this tool gives us additional abilities that we didn’t have before” (respondent 6).

4.8.3. **Strength of the Rental Zoning**

The potential strength of rental zoning was also raised in some interviews. According to one planner, “once a piece of property is rezoned [as rental] then that becomes harder [to change]” (respondent 5). Thus the strength of rental zoning lies in its ability to require “more public process, and political capital to change that [land use] because it’s in the zoning rather than something in policy” (respondent 5). Incorporating housing tenure into zoning “puts the power back in Council and the community” (respondent 1). This planner also emphasized that rental zoning:

> would really put this City in the driver’s seat in terms of being able to ensure the public interest is addressed through any redevelopment because it would require a rezoning, and they’d have a say in tenant relocation and affordability levels. (respondent 1)

When rental tenure is attached through the zoning, it cannot be negotiated the same way as other policies.
4.9. **Summary**

Overall, the additional power to zone land for residential rental tenure was positively received by planners working within local governments. Planners interviewed for this research acknowledged that zoning for tenure is an innovative idea, but suggested that the practical application of it may not be able to satisfy all of the provincial government’s intended purposes. That being said, there were a few instances where planners suggested that the application of this tool could be helpful in addressing their rental housing objectives, most notably through the protection of existing stock, and increasing supply and housing choice. The extent to which rental zoning can help municipalities achieve their housing objectives is yet to be seen, however, the findings of this research suggest that rental zoning may not be a panacea for the region’s housing challenges. That being said, this tool may be part of a wider movement that supports a more diverse housing system that better reflects the needs of a community.
Chapter 5. Discussion

5.1. Introduction

Over the past several decades, inequality has manifested itself in Canada’s housing system. This is particularly evident in the Lower Mainland of British Columbia, where more than 30 per cent of households are experiencing core housing need, spending more than what they can afford on shelter costs (Statistics Canada). The need to diversify housing options is crucial to ensure that the local population, with their unique needs, incomes, and abilities, are able to access adequate and affordable housing. Part of this includes market rental housing, which is typically a more affordable option than ownership, and provides an important supply of housing for recent immigrants, workers, young people, students, and seniors. Developing a secure rental housing supply is an essential component to meet the needs of current and future residents.

Municipalities throughout Metro Vancouver have rental housing targets, and the findings of this research suggest that elements of rental zoning may help local governments address their rental housing objectives. However, this study also highlights some of the potential limitations of this tool, illustrating the consequences of market oriented approaches to housing. This chapter will integrate themes from the literature review and the findings of this research to present a comprehensive understanding of rental zoning.
5.2. **Analysis of Key Findings**

5.2.1. **Rental Revival and Rental Zoning**

Literature explored for this research highlights how the development of purpose-built rentals has largely been stagnant since the 1970s. Over several decades, housing policies and programs developed by all levels of government have targeted ownership over other forms of tenure by way of subsidies, land use regulations, and tax structures (Hulchanski, 2004b). Attention and resources given to owners versus renters is illustrated in the built environment and through housing trends. The physical manifestation of cities is a palimpsest symbolizing the priorities of those with power and prestige. Housing in particular reflects the organization of society, revealing class structure and power relationships (Madden & Marcuse, 2016). This is especially evident in the several iterations of condominium conversions and the demolition of purpose-built rental apartments to make space for condominiums. As ownership becomes increasingly unattainable and as the Lower Mainland’s population grows, other segments of the housing continuum have to expand to support current and anticipated housing needs. Rental housing is a significant component of this.

Planners interviewed for this research suggested that rental zoning is one option that local governments within Metro Vancouver are currently exploring: they are trying to understand how the application of this tool could help them achieve their rental housing objectives. According to some participants, any tool to help municipalities develop rental housing would be useful. These planners noted the high demand for rental housing within the region, as well as the lack of rental housing development. Furthermore, participants suggested that developers are likely to continue building condominiums over rental
housing because it is more profitable to do so, and they are more familiar with this process. However, participants noted that the ability to zone land for rental tenure is a direct way for local governments to intervene and prioritize another form of housing that may better reflect the housing needs of their constituents. For example, the application of rental zoning to an existing purpose-built rental building could secure vulnerable rental housing stock by ensuring that if a building is redeveloped, the existing rental units within it are replaced in the new building. This is a striking contrast to recent development within the region, where some municipalities have lost a significant proportion of their purpose-built rental apartment inventory to redevelopment. Between 2013 and 2017, for example, the City of Burnaby lost 582 rental units (Metro Vancouver, 2018). Participants suggested that rental zoning could help secure older and vulnerable housing stock. This could be particularly helpful along transit corridors.

As previously discussed, the study conducted by Jones and Ley (2016) highlights how state-endorsed transit-oriented development policies enable processes of reinvestment and displacement, using Burnaby as an example. In January 2019, Vancouver City Council endorsed a rapid transit extension to the University of British Columbia (Vancouver, 2019a). Since this approval, Vancouver City Council has also passed a motion to:

direct staff to explore the use of rental only zoning in the Broadway Plan area through the Broadway Planning Process, and in the neighbourhoods of Kitsilano and West Point Grey through the City-wide plan process or other robust, collaborative and equitable planning processes to enhance the protection of renters and limit speculation in response to transit infrastructure investment (Vancouver, 2019b, p. 33).
The City of Vancouver identified approximately 30,000 older affordable rental units along this corridor (Metro Vancouver, 2019b). The potential land speculation along this transit line could have devastating consequences for thousands of tenants. Here, the application of rental zoning is intended to protect vulnerable rental stock from condominium development. Although some planners in this study acknowledged that the preservation of existing rental units can already be achieved through policy, others noted that zoning for tenure would be a stronger way to protect existing stock because it would not be subject to the same kind of negotiation as policy.

Despite the potential opportunities presented by this tool, some of the conflicting responses from participants suggest that it cannot achieve everything that the provincial government intended it to do, particularly with regards to affordability. The findings of this research suggest that this tool may support local governments to achieve some of their housing objectives, but rental zoning is by no means an exhaustive solution to address the region’s rental housing problems.

The development of rental housing, even on property zoned for rental tenure, depends on the market to build it. Zoning in and of itself does not guarantee that rental housing will actually be built.

5.2.2. Government Intervention

Direct government intervention through landuse regulations has a long history in British Columbia, particularly through the ALR. Although literature on rental zoning is limited, comparing the findings of this research to the ALR may illustrate how and if prioritizing land for a particular use can help achieve its intended objectives. The ALR was
introduced to protect farmland from development. The provincial government recognized that the market was jeopardizing prime farmland, and “addressed the issue directly by intervening to manage the effect of market forces” (Bray, 1980, p. 602). However, studies have found that placing farmland within the ALR cannot ensure that the land will in fact be used for farming (Bray, 1980; Hanna, 1997). Much of the ALR’s success lies with slowing the development of farmland by stabilising speculation, which subsequently controls development and reduces land value (Hanna, 1997).

With regards to rental zoning, the findings of this research indicate that the application of rental zoning may be helpful in protecting existing stock, particularly for local governments who do not have protectionist policies established. However, most planners participating in this study were hesitant to suggest that rental zoning could increase supply and encourage development. Many participants noted the need for additional incentives for developers to build new rental housing. Furthermore, some participants suggested that the application of rental zoning to a property may be perceived as downzoning by limiting its redevelopment potential and reducing speculative demand. Some planners noted that market rental housing is profit driven, and that if it is not financially viable for developers to build purpose-built rentals, they will not invest.

Under these circumstances, rental zoning and the ALR draw striking comparisons. Protecting existing uses, in this case farmland and tenure, is possible through zoning. However, zoning cannot ensure that the intended use, such as farming activity or the development of new rental housing, will in fact take place. Using the ALR as an example, rental zoning may not fulfil a local government’s rental housing objectives, depending on its application and intended use. However, making space for rental housing does
symbolize a shift in a government priority that recognizes the need for a new approach to housing.

5.2.3. Movement towards a “Rights” Based Approach

The housing system in Canada has treated housing as a commodity, a mechanism to accumulate wealth, rather than a basic human need: a home. Financialized housing markets respond to the preferences of investors, rather than to the needs of a local population (Madden & Marcuse, 2016). Under this system, the incomes of a local population and the kinds of housing they would like is often of little concern to financial investors, who cater to the desires of the market.

A report by the UN Special Rapporteur on adequate housing suggests that “States are obligated under international human rights to ensure that private investors respond to the needs of residents for secure, affordable housing and do not cater only to the wealthy or purchase homes simply to leave them empty” (United Nations Human Rights Council, 2017, para. 15). Paramount to this is ensuring the establishment of mechanisms that allow for citizens to be fully heard and engaged in decisions that affect them. In this light, the role of government is to engage and direct the private market and financial institutions to ensure that their actions are consistent in providing housing that meets the needs of local populations (United Nations Human Rights Council, 2017). Although rental zoning will likely include market-rate rental housing, which is dependent on the market and investors seeking a profit, there are elements of this new tool that reflect components of a rights-based approach to housing that are worthy of exploration.
Several participants in this study noted that if rental housing and tenants are a municipality’s priority, then rental zoning may be an appropriate tool to address the needs of this group. Planners suggested that although the market has recently begun to produce rental housing again, they are skeptical as to whether enough developers would voluntarily switch from developing condominiums to building purpose-built rental apartments. Some planners insinuated that government intervention would be necessary to facilitate a shift in building housing for a local population as opposed to investors. Zoning land for rental tenure could support elements this objective. For example, participants suggested that the application of rental zoning clearly communicates to the development community, stakeholders, and the public the current and anticipated needs of a community. This kind of government intervention is attempting to ensure that developers respond to the housing needs of a local population.

The strength of zoning properties for rental tenure to protect existing rental stock versus policy initiatives is also important. The findings of this research suggest that the application of rental zoning to a property may be a stronger tool to protect this interest. Participants in this study noted that once zoning is attached to a property, it becomes harder to change. Specifically, it would require a public process and would force any redevelopment to be in the public eye.

It is recognized that market rate rentals are not a viable solution to alleviate the housing crisis. Furthermore, the development of new rental housing sometimes occurs at the expense of older, affordable housing stock and displacing lower-income tenants. However, there are aspects of rental zoning that reveal elements of a rights-based approach to housing. The housing system is dominated by actors and institutions that
have a major interest in maintaining the status quo. Zoning for tenure may be part of a greater shift towards a more equitable housing system.

5.2.4. **Rental Housing for the Middle Class**

As previously discussed, rental housing has not been a government priority over the past several decades. This segment of the housing continuum, however, has provided a significant supply of affordable housing for lower- and moderate-income households in the Lower Mainland. In recent years there has been a renewed interest in developing new market rental housing, which has largely been driven by middle- and higher-income households unable to afford ownership. New rental housing is often much more expensive, with rents reflecting the high cost of land and construction. Planners interviewed for this research acknowledged this, and suggested that they do not consider these units to be affordable. According to participants in this study, rental housing built under rental zoning is likely to be market rate rentals that charge high rents that are affordable for middle- and higher-income households. Additionally, planners insinuated that the preservation of rental stock generally refers to the number or percentage of units secured should redevelopment occur, and not the retention of older, more affordable rental housing. Considering the above, it is important to question who benefits from rental zoning.

According to respondents, newly developed market rental housing is targeted towards middle- and higher-income households unable to afford homeownership. Thus, rental zoning may be a helpful tool to secure rental housing for this demographic. In doing so, however, it may displace long-term, low-income tenants. Already, many of these lower-income households are living above their means, in apartments they cannot afford.
Replacing affordable rental units that provide shelter for low-income households with new market rate rentals provides a striking illustration of how the market fails poorer residents. Ultimately, this could lead to another wave of gentrification. In this context, however, older rental housing is being replaced by new rental housing instead of condominiums.

The point here is not to discredit the attempts at creating a more diverse housing system, but that the demolition and replacement of existing affordable rental buildings to achieve housing diversity continues a narrative of the market failing lower-income households. One planner in this study noted how achieving a balance between creating new supply without incentivizing the redevelopment of older apartment stocks that have affordable rents can be difficult, and that they are still working through the process of doing both. Madden and Marcuse (2016) argue that this debate needs to move beyond the shallow idea that the housing problems can be reduced to finding the right balance between government intervention and the market. Government action can be used to democratize and redistribute housing, or it can function to preserve inequality and support private profitmaking (Madden & Marcuse, 2016). In a system that commodifies housing, the needs of residents are superseded by those of investors able to make a profit. Although older purpose-built rental apartments are nearing the end of their lifespan and are subject to redevelopment, in no way can their usefulness as a living space and as a home for their residents be diminished.

Access to decent, affordable housing should be a fundamental human right. According to Desmond (2016, p. 300), “The reason is simple: without stable shelter, everything else falls apart.” However, the market only develops non-market housing when it is profitable to do so. Participants in this study noted that there needs to be action by all levels of government to address the housing problems plaguing the Lower Mainland.
Although older rental housing is intrinsically valuable for tenants, the reality in a market-driven city is that it is subject to redevelopment. If redevelopment occurs in the absence of public safeguards, displacement of poorer households will continue. Housing initiatives beyond the private market are desperately needed, and government has a responsibility to intervene in the housing system to ensure that everyone has access to adequate and affordable housing. Zoning for rental tenure may be a part of wider initiative that addresses this.
Chapter 6. Conclusion

Inequality has manifested itself in Canada’s housing system. The current housing crisis experienced throughout the British Columbia, and especially in the Lower Mainland, is a direct result of a system that has prioritized and privileged ownership above other forms of tenure. The sustained treatment of housing as a commodity to accumulate wealth instead of a home, a fundamental human need, has had profound implications on low- and moderate-income residents, and is now impacting the middle-class. At the forefront of the housing crisis, local governments are looking to diversify housing options within their communities to meet the needs of the local population. Rental zoning is one avenue that is currently being explored. Since it was only introduced in May 2018, this research is only an introduction to residential rental tenure zoning and the potential implications that could arise should a municipality choose to implement this new tool.

Speaking with municipal planners provided an insightful perspective into rental zoning and its potential implications, however, it is recognized that this research would have benefitted from including other perspectives involved in market rental housing, including developers, non-profit organizations, the provincial government, and scholars. In this study, several participants spoke to the interactions they have had with other professionals involved in this topic, illustrating the diversity of perspectives engaged with rental housing. Including these voices would provide a more complete understanding of rental zoning, particularly in its preliminary stages.

Although the City of Burnaby and the City of New Westminster are the only municipalities in the province who have proceeded with rental zoning in some capacity, several planners in this study noted that this topic is being explored by other local
governments within the region. The impacts of rental zoning upon implementation, and the degrees to which it can help municipalities achieve their housing objectives, bear watching. Similarly, during the interviews some participants stated that their planning departments are trying to understand how rental zoning differs from other tools currently available to local governments that protect and increase the supply of rental housing. Future research could compare and contrast rental zoning to other tools to understand the similarities and differences and when it would be appropriate to use one rather than another.

Housing problems are not confined to large metropolitan areas. Across the province, the overall vacancy rate is low at 1.4 per cent (CMHC, 2018c). Moderate-sized cities and rural regions have their own unique housing challenges. Future studies could research what role rental zoning could play beyond the province’s larger urban centers if rental housing is considered to be a priority.

According to the provincial government, rental zoning gives local governments a greater ability to protect existing stock, increase supply and choice, and address affordability concerns. The findings of this research, however, suggest that only fragments of this claim may be true. Ultimately, rental zoning is not the panacea to the Lower Mainland’s housing crisis. However, meaningful change comes in various shapes and sizes. While rental zoning and market rental housing may not be the solution to the region’s housing crisis, it does mark a shift in how local governments respond to the needs of their communities and may be part of a wider trend that prioritizes people over profit. Time will tell if the change that is needed is the change that is coming.
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