Barriers & Opportunity
A Meta-Analysis of Affordable Rental Housing In Canada

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1. Executive Summary

Despite high demand, many Canadian cities have a shortage of affordable rental housing. Much of Canada’s rental housing stock is decades old, and developers are not building enough new rental properties to fill demand. This research project explores barriers to the construction of new rental housing and the protection of existing rental housing in five Canadian municipalities: Vancouver, Edmonton, Saskatoon, the Region of Waterloo, and the Halifax Regional Municipality. By identifying case-specific and cross-case patterns, the report lays the groundwork for successful strategies for cities to develop and retain rental housing stock.

The study relies on three research methods. First, a literature review served to collect secondary data sources and established seven thematic barriers: regulatory and planning constraints, tax barriers, financial infeasibility, community opposition, redevelopment pressure, aging rental housing stock, and policy coordination and collaboration. Second, case reports were compiled to summarize relevant data collected for each city. Case reports were then coded according to the seven themes, and organized in a matrix according to city and thematic code for meta-analysis.

The research identifies successful strategies for overcoming barriers to rental housing that are being implemented by cities included in the study. Broadly speaking, policies fall into two approaches. The first approach promotes new supply of purpose-built rental buildings through grants and subsidies, waiving of publicly levied fees, or streamlining development applications. The goal of these policies is to make rental construction more economically feasible and minimize risk for developers. The second approach aims to preserve and protect existing rental housing by limiting demolitions and tenure conversions, or subsidizing maintenance of older rental buildings. Based on strategies in the five study cities, the report recommends four possible strategies for Halifax and other mid-size municipalities to encourage development and preservation of affordable rental housing.

1.1 Recommendations

1. Senior government collaboration. On a macro level, funding and policy collaboration with senior levels of government is essential. Municipalities do not have the resources to
encourage substantial affordable rental housing development without reliable support from federal and provincial government.

2. **Maintain aging rental buildings.** Developing new rental units alone is not enough, and new units will likely not be attainable for lower income households. Older rental buildings offer some of the most affordable housing options in cities. Programs to preserve aging rental housing are a cost-effective way to bolster affordable rental housing supply.

3. **Zone for rentals.** On a local level, mid-size cities should consider creating rental zoning districts. Zoning for rentals does not cost taxpayers, and prevents rising prices due to speculation from condominium development in multi-unit zoning districts.

4. **Lower property tax for rentals.** Municipal property tax rates may compound inequitable federal and provincial taxes on rental properties. Mid-size cities can incentivize purpose-built rental buildings by ensuring local property tax rates for rental buildings are the same or lower than those applied to condominium buildings.

### 2. Introduction

Canadians in many cities face an affordable housing crisis. Tenants tend to have lower incomes than homeowners and are especially vulnerable when faced with affordability problems. One third of all Canadians, more than 4 million households, are renters (CRHI, 2016). In major cities like Vancouver, renters make up more than half of all households. Rental housing is a vital yet often overlooked component of the housing system, and the supply of affordable rental housing is dangerously low in many Canadian cities.

Municipalities steadily publish reports and strategy documents on affordable housing, yet affordable rental housing often remains in short supply (City of Edmonton, 2016; SHS Consulting, 2015; City of Vancouver, 2011). Some municipalities have launched successful initiatives, such as Saskatoon’s rental construction rebate grant and Vancouver’s secured market rental program, however barriers to constructing and maintaining rental housing still exist (City of Saskatoon, 2013; City of Vancouver, 2012). This research project seeks to identify common barriers facing municipalities, in order to inform policies encouraging private-sector construction of new rental housing and preservation of existing rental units.
Analysis of rental housing across Canada is needed in order to identify possible strategies for resolving the chronic shortage of affordable rental housing. Through a meta-analysis, this project compares findings from existing case studies, reports, and municipal housing strategy documents in order to identify both common and unique barriers to the development and retention of market rental housing in five Canadian cities: Vancouver, Edmonton, Saskatoon, the Region of Waterloo, and Halifax Regional Municipality. These cities were selected for study based on regional representation, quality of available documents, and policy innovation. The purpose of this research project is to synthesize knowledge from case studies and housing strategy documents on barriers to the construction of new rental housing and the protection of existing rental housing in Canadian cities. By identifying case-specific and cross-case patterns, this report lays the groundwork for successful strategies to develop and retain rental housing stock.

**Objectives**

Three research objectives guide the study:

1. Compare municipal-level policy approaches to the development and retention of rental housing stock in large- and mid-size Canadian cities;

2. Identify case-specific and cross-case patterns in barriers to the construction of new rental housing and the protection of existing rental housing; and

3. Identify possible strategies for Halifax and other mid-size cities to encourage development and preservation of affordable rental housing.

This report is the first contribution to a larger research program, supervised by Dr. Ren Thomas, investigating rental housing policy and challenges in Canada. Future research will analyse additional cities through similar methods, contributing scope and significance to the study. This study is one of the first to use meta-analysis to synthesize knowledge of rental housing barriers across Canadian municipalities. The report begins with a background discussion of the rental housing system in Canada. The research methodology is then explained. The remainder of the report describes research findings and discusses the implications of the results.
3. Background

In Canada, housing is considered affordable if housing-related costs account for less than 30% of a household’s pre-tax income (CMHC, 2017a). Under this definition, the term “affordable” can apply to any form of housing along the housing supply continuum (see Figure 1). This report focuses specifically on supply and affordability within the market rental housing sector.

**Figure 1**: Housing Continuum. Adapted from CMHC, 2017a

Renters are more likely than homeowners to face housing affordability issues. Currently, 40% of Canadian rental households spend more than 30% of their income on rent (CMHC, 2017a) and one in five renters spends over 50% of their income on rent (FCM, 2015).

According to Cheung (2014), “maintaining a dynamic stock of good-quality and affordable rental housing is important for supporting labour mobility and immigration as well as good social, health and educational outcomes” (p.32). A robust stock of rental housing is a key element of a thriving city, yet in most Canadian cities it has been several decades since there were significant levels of private or public investment in rental housing.

During the 1960s an investment boom in rental apartment construction created a rise in private rental housing stock, but the boom ended abruptly in the early 1970s (Miron, 1995). The supply of purpose-built rental construction has slowed significantly since that time (Crook, 1998). Lawrence Smith identified a crisis in Canadian rental housing supply as early as 1983, arguing that a 1972 federal tax system restructuring led the housing system down a path of chronic rental shortages (Smith, 1983). Prior to that restructuring, the tax system made rental construction attractive to developers through several concessions including a capital gains tax exemption, which allowed rental investors to realize greater profit on the sale of rental buildings (Smith, 1983; Steele, 1993). Remaining tax incentives for rental housing were phased out completely by the mid 1980s, leading to further decline in rental housing production, see Figure 2 below (McLanaghan, 2010;
A significant portion of Canada’s rental housing stock is more than 40 years old.

**Figure 2:** Three-quarters of Canada’s rental apartments were built when Ottawa favoured the rental sector with incentives that ended in the mid 1980s (Graphic: Cheung, 2017).

The Canadian housing system has a long history of prioritizing and promoting home ownership over renting. David Hulchanski (2007) argues that Canada lacks tenure neutrality in its housing policy, meaning it is discriminatory in the way that it treats renters as opposed to owners. For example, Canadian Mortgage and Housing Corporation (CMHC) focuses its public funds almost entirely on the ownership sector through initiatives like mortgage insurance and tax subsidies for homeowners and builders. Several tax subsidies remain in place for homeowners, but there is no tax subsidy for renters. In this way, government support flows to wealthier owners rather than poorer tenants. This priority seems counter-intuitive when homeowners earn, on average, double the household income of renters (Hulchanski, 2007; CMHC, 2017b). Tenants are poorer than homeowners, and therefore have less political leverage. Further, politicians and senior civil servants are usually owners, so tenant experiences and vacancy challenges are typically not familiar to key decision-makers (Sewell, 1994).

A vacancy rate of 3% is generally considered to be a balanced rental market (FCM, 2012). Rental vacancy rates are far below the balance point in many cities: 1% in Peterborough, 0.7% in Vancouver, and 0.5% in Victoria (CMHC, 2016a). In cities with higher vacancy rates, renting
remains a challenge for low- and moderate-income earners because only a fraction of vacant units are priced affordably.

Demand for rental housing is on the rise. CMHC’s (2016) rental market report notes an “increase in international migrants and an aging population are contributing to an increase in occupied rental units (p.2).” Neither trend is likely to be reversed. The Federation of Canadian Municipalities agrees that two growing populations, older Canadians and new Canadians, represent the largest sources of the demand on rental housing (FCM, 2012). A growing number of Canadians are seeking rental housing, but the supply of rental units is limited.

The current pace of rental housing construction is not adequately responding to demand for rental housing. Between 2001 and 2010, around 10 per cent of all new housing built in Canada were purpose-built rentals (FCM, 2012). Stagnant rental construction can be attributed to both rising homeownership rates and growth in condominium development. Without incentives to develop rental properties, many developers are driven by profits available in the condominium market (Black, 2012; Hulchanski 2007).

Cheung (2014) notes that condominium buildings typically compete for the same multi-dwelling zoned land that rental apartments do, but condominiums are favoured by developers for their higher returns, lower risk, and lower property taxes. Under the current federal, provincial, and municipal legislation, rental apartments cannot offer the same competitive advantages, and therefore “condominium markets have tended to set the price for multi-residential zoned land sites in major cities, crowding out purpose-built rental production” (Cheung, 2014, p.32). Further, income generated from average rent often does not meet the rate of return necessary to satisfy investors (Pomeroy, 2012). Jill Black (2012) argues, “even at ‘luxury’ rents, rental development is far less profitable than condo development, while ‘affordable’ rental development is not economically feasible without significant government subsidies” (p.1).

Private real estate developers have shifted away from investing in rental housing, drawn by the profit incentives of condominiums. Hulchanski (1988; 2007) suggests, due to the rising cost of construction combined with the downward trend in the income profile of renters, the private rental market will continue to fall short of providing an adequate supply of rental units. A rental housing system governed only by free-market mechanisms does not respond to the housing needs of low- and moderate-income Canadians (Hulchanski, 1988; 2007). Despite high demand for units
at average or below average rents, developers do not respond to this demand because it is deemed not profitable enough.

Significant research has been done around policy tools that municipal and provincial governments could implement to encourage private-sector development of affordable rental housing (Hulchanski & Shapcott, 2004; Tsenkova & Witmer, 2011; Steele & Tomlinson, 2010;). Common policy recommendations include targeted tax concessions, direct subsidies for rental construction, and forms of inclusionary zoning or rental-specific zoning. Many studies examine challenges faced by specific tenant populations, such as single mothers or newcomers, in securing rental housing (Jones & Teixeira, 2015; Teixeira, 2008). Barriers to maintaining rental housing supply, such as the economic risk and lower rate of financial return, are sometimes noted in policy research (FCM, 2012; Tsenkova & Witmer, 2011; Pomeroy, 2012; Black, 2012). There is a gap, however, in research that synthesizes and assesses the commonality of challenges faced by municipalities in growing and preserving their supply of rental housing.

4. Methodology

The objectives of the study were achieved through three methods: literature review, case reports, and meta-analysis using a meta-matrix.

4.1 Literature Review

Research began by conducting a review of academic and grey literature sources including academic journal articles, case studies, municipal housing strategy documents, housing assessments, and non-profit reports. In addition to informing the background section of the report, the literature review served two purposes. First, the literature review identified common themes of challenges encountered in the provision of rental housing in Canadian cities. These themes later served as codes for meta-analysis of case reports. Second, the literature review served as the data collection phase. Documents gathered during literature review serve as secondary data sources of the study. Documents were collected using the Novanet academic database and Google searches for publicly available reports generated by municipalities and non-profit organizations. Municipal websites were also searched. In some cases, the researcher contacted planners within the municipality’s planning department to source key documents related to rental housing policy.
Search keywords included the following:

- Affordable rental housing Canada
- Rental housing barriers Canada
- Rental housing construction Canada
- Rental housing investment Canada
- Rental housing strategy [city name]
- Affordable rental housing [city name]

4.2 Case Reports

In order to prepare collected data for meta-analysis, case reports were compiled for Vancouver, Edmonton, Saskatoon, the Region of Waterloo, and Halifax Regional Municipality. These five cities were chosen for the study based on a combination of factors including regional representation, population, and innovative policies that could be implemented elsewhere. Case reports simply summarize key findings from secondary data collected for each city. The number of collected documents informing each case report ranged from five to ten. Common themes first identified during the literature review were refined through an iterative process to become categories for coding each case report. Each code represents a type of barrier to the development of new rental housing or the protection of existing rental units (see Table 3).

Unlike a variable-oriented analysis, this case-oriented approach did not begin with pre-determined variables to identify in the study region, but rather started by locating patterns that emerged within the case material. Emerging patterns became themes for sorting case report findings. Thomas and Bertolini (2014) used the same technique to analyze common success factors in transit-oriented development projects, and their study serves as a methodological guide for this project. Coded reports were then summarized in a matrix comparing the five cities and seven thematic codes. The seven thematic codes are defined in Table 1.
Table 1: Thematic codes emerging from research

<table>
<thead>
<tr>
<th>Thematic Code</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Regulatory and planning barriers</td>
<td>Municipal regulatory measures, processes, and fees that inhibit development of affordable rental housing.</td>
</tr>
<tr>
<td>2. Tax barriers</td>
<td>Inequitable tax structures which limit profitability and discourage private-sector rental housing investment.</td>
</tr>
<tr>
<td>3. Financial barriers</td>
<td>The overall economic feasibility of purpose-built rentals to provide the return on investment expected by developers</td>
</tr>
<tr>
<td>5. Redevelopment pressure</td>
<td>Condo conversions or demolition for more profitable uses.</td>
</tr>
<tr>
<td>6. Aging rental housing stock</td>
<td>Older rental buildings in poor condition, requiring substantial renovations.</td>
</tr>
<tr>
<td>7. Policy coordination and collaboration</td>
<td>Partnering with senior levels of government to access funding, and coordinate programs and service delivery.</td>
</tr>
</tbody>
</table>

4.3 Meta-Analysis

Meta-analysis seeks to overcome the limitations of the single case study approach by comparing and learning from other studies, and identifying case-specific and cross-case patterns (Thomas & Bertolini, 2014). Further, it enhances the ability to make generalizations from the selected set of case studies (Miles & Huberman, 1994; Thomas & Bertolini, 2014). Meta-analysis is a systematic method for identifying recurring patterns in Canadian rental housing literature, and is a way of identifying unique challenges and policy approaches.
For this study, meta-analysis was conducted using a research tool called a meta-matrix. Miles and Huberman (1994) describe meta-matrices as “master charts assembling descriptive data from each of several cases in a standard format” (p.178). The completed meta-matrix provides a visual representation of coded data by organizing case report findings in a chart, allowing easy cross-case and case-specific comparison. Case reports were dissected according to thematic code for display in an Excel spreadsheet meta-matrix with seven thematic codes down the Y axis and five case study cities listed across the X axis. Municipal policies seeking to address one of the seven identified barriers were also entered in the matrix. This organization of the findings allowed for easy cross-case and case-specific comparison.

Initially, the matrix was quite large. To make the matrix more manageable for viewing on screen, matrix data was distilled through a process of within-case, and cross-case sorting (Miles & Huberman, 1994, p.180). Interpreting data, identifying patterns and ordering the matrix was an incremental process. Meta-analyses using a matrix provided a systematic method to identify similarities and differences in the various challenges encountered by municipalities in developing and maintaining purpose built rental housing. This phase also helped identify innovative policies. The final version of the meta-matrix is reproduced in Appendix A, page 41.

In summary, the research process followed four analytical stages as described by Miles and Huberman (1994), see Figure 3. First, reading the literature identified themes, which later became thematic codes. Second, drafting case reports to summarize the literature findings by city, and coding the case reports. Third, coded data is entered into the matrix and condensed into manageable. The final step is analyzing the matrix to identify similarities and differences between the case material. As Figure 3 illustrates below, the stages of research work together in an iterative process, revisiting previous stages to confirm and organize findings (Thomas & Bertolini, 2014). In this study, the “Critical Success Factors” shown in stage 4 of Figure 3 are more like critical challenges. The matrix was used to identify the degree of commonality among barriers to rental housing, and also highlight unique policies being used to overcome those barriers.
5. Findings

Presentation of findings begins with background information on the rental housing climate in each of the cities studied. Common barriers to developing and maintaining affordable rental housing stock are then explained, followed by unique policy approaches to overcoming these barriers.

5.1 City Backgrounds

5.1.1 City of Vancouver

Rental affordability is a major policy concern in Vancouver, where a growing population is seeking rental housing in a constrained land base. Vancouver’s overall vacancy rate hovers around 0.7% (CMHC 2016b). Strong demand for rental housing continues to outpace the supply and causes upward pressure on rents, which are already among the highest in Canada (CMHC 2016b). The past 25 years saw relatively little purpose built rental housing constructed, but this is changing thanks to market conditions and successful municipal incentives like the Rental 100 secure market rental housing policy. Rental demand projections for Vancouver are sobering. The Metro Vancouver Regional Affordable Housing Strategy (2016a) estimates that in order to satisfy future demand for rental housing, about 5,500 new units per year are required over the next ten years (p.13). Between 2011 and 2014, Metro Vancouver (2016) estimates rental supply fell short of rental demand by about 1600 units overall (p.14). Vancouver struggles to create rental housing

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**Figure 3:** The Research Process (Thomas & Bertolini, 2014, p.8)
affordable for those with moderate incomes of $30,000 – $50,000 per year. This income range represents an unfunded gap in Vancouver’s housing supply. Households earning more than $50,000 per year can afford new rentals built through the Rental 100 program, while households earning under $30,000 may qualify for provincial or federal rent subsidies (Metro Vancouver 2016a, p. 17). Vancouver maintains an affordable housing reserve, funded by fees collected from developers, which contributes to subsidized rental housing.

5.1.2 City of Edmonton

Edmonton’s rental housing market is tied to a volatile resource economy. Boom and bust cycles in the energy sector have a significant impact on the supply and affordability of rental housing. For example, in 2014, the rental vacancy rate was 1.7% (City of Edmonton, 2016). Two years later, following a downturn in the energy sector, vacancy rates increased to 7% (CMHC 2016a). Between 2006 and 2014, rental housing construction accounted for only 7% of all housing starts (City of Edmonton, 2016). CMHC (2016a) reports that the rental stock has grown for the past three years, but affordability remains a challenge. About 41% of Edmonton renters – 47,055 households, live in unaffordable housing (City of Edmonton, 2016). The City of Edmonton’s Affordable Housing Strategy (2016) notes that people in a range of occupations – restaurant servers, retail clerks, hairstylists and barbers – cannot afford to rent a one-bedroom apartment based on a single income (p. 5).

5.1.3 City of Saskatoon

Very little rental housing was built in Saskatoon from the late 1980s to 2008. Limited supply of units during this time contributed to vacancy rates below 1% (Task Force on Housing Affordability, 2008). In response to housing needs, the City of Saskatoon adopted its first Housing Business Plan in 2008. This plan surpassed its goal of developing 2,500 units of affordable housing over five years. The ten-year Housing Business Plan 2013-2022 was introduced in 2013, building on the success of the previous plan. Rental construction incentives introduced in the Business Plan helped increase the supply of rental units, but the economy also began to cool. The simultaneous reduction in demand for rentals and increase in the supply of units caused vacancy rates to spike. In 2016, vacancy rates reached historic high of 10.3% (CMHC, 2016a).

For now, rental construction incentives are on hold. The City of Saskatoon reports it “has
not approved incentives for new purpose-built rental project since 2015, when vacancy rates first started to rise” (City of Saskatoon, 2016, Attachment 3, p.1). Canadian Mortgage and Housing Corporation expects vacancy rates to begin declining in 2017, but remain high through 2018. For this reason, the City of Saskatoon reports “there should be no need for the City to provide incentives for purpose-built (market-priced) rental housing before the end of 2018” (City of Saskatoon, 2016, Attachment 3, p.2). High vacancy rates have caused rents to level off, but at levels that remain unaffordable to low-income earners. Much of Saskatoon’s existing affordable rental stock is 40 years old and in need of renovation in order to extend its lifespan.

5.1.4 Regional Municipality of Waterloo

The Regional Municipality of Waterloo includes the cities of Kitchener, Cambridge, and Waterloo, which together form the fourth largest municipality in Ontario. The Region of Waterloo is a provincial leader in affordable housing, with the most newly-built affordable housing units per capita for service centres with over 175,000 residents (Region of Waterloo, 2014).

The Region of Waterloo’s first Affordable Housing Strategy was released in 2001, when the vacancy rate had been below 1% for three years. Since that time, over 2,000 units of affordable housing have been created, 1,409 of which are rental units (Regional Municipality of Waterloo, 2014). In 2016, the Kitchener-Cambridge-Waterloo area had an overall vacancy rate of 2.2% and was characterised by a strong increase in rental supply offset by increased demand (CMHC 2016a). Collaborative efforts from the private sector, non-profit providers, and senior levels of government have yielded positive results, with a wider range of housing options being built, including an average of 686 rental units annually between 2009 and 2014 (Region of Waterloo, 2014). Even still, new rentals remain unaffordable for many low and moderate income households because the economics of rental housing development make it challenging to rent at or below market rates.

5.1.5 Halifax Regional Municipality

The rental housing context in Halifax is unique in that rental construction leads multi-unit housing starts (CMHC, 2016c). A recent housing assessment states, “Halifax is fortunate to have at the moment a very active rental development industry” (SHS Consulting, 2015). But, while Halifax has an adequate supply of rental housing, affordability remains a challenge for many.
In 2011, 42.7% of all renter households in Halifax exceeded the affordability threshold of 30% of before tax household income spent on shelter costs (SHS Consulting, 2015). For 2016, the overall vacancy rate was 2.6% (CMHC 2016a). Higher vacancy rates of relatively affordable units exist in areas such as Dartmouth North; however, this housing stock is aging and located in an area with few amenities and poor public transit. As older rental stock deteriorates, it is at risk of demolition. Despite hundreds of households in need, many units stand vacant. They are largely deteriorating, poorly maintained and in poorly-serviced, marginalized communities with significant social challenges. Housing advocate Grant Wanzel (2017) writes, “By the numbers, the Halifax CMA has more than enough housing at relatively affordable rents to go around” (p. 34). Wanzel sees Halifax’s housing problem as an issue of distribution rather than supply.

5.2 Common Barriers

Research objectives one and two were accomplished by compiling case reports, then analyzing data in a meta-matrix. Case reports were coded according to the seven themes identified in the literature review. Coded material from the case reports was then summarized in the meta-matrix (see Appendix A). Comparing findings through the matrix revealed that, in general, the seven themes identified were barriers encountered in all five cities (see Table 3 in Summary of Findings, p. 25). Case reports for some cities emphasize certain barriers to a greater degree, and this is noted in the findings below.

5.2.1 Regulatory and Planning Barriers

Each case report clearly highlights municipal-level regulatory obstacles to generating affordable rental housing. In general, lengthy timelines and complicated processes for approval of rental development increases both risk and cost for developers. In Edmonton and the Region of Waterloo, developers found that minimum building code standards impacted financial feasibility. Rental licensing bylaws in Waterloo further add to development costs. The Federation of Ontario Rental Housing Providers (FRPO, 2015) suggests rental licensing bylaws overlap with regulation provided by the Residential Tenancies Act, building codes, and fire codes. In the cities of Vancouver, Saskatoon, and Waterloo, minimum parking requirements and offsite levies for municipal infrastructure deter private rental development. In Vancouver, daunting approval processes sometimes deter small owner/operators with limited development experience (Metro
The Halifax documents place stronger emphasis on planning and regulatory barriers when compared to the other four cities. Specific challenges noted by developers in Halifax include zoning bylaws, rising development fees, lack of coordination, and challenges working with municipal staff (HHP, 2014). It was noted that Halifax lacks an adequate and updateable inventory of housing stock, which would help monitor physical condition and replacement value (Wanzel, 2017). Access to current information about local housing stock helps developers and planners to better understand how parts of the housing system are interacting. An accurate housing inventory is also important for monitoring the impact of new policies.

5.2.2 Tax Barriers

Unfavourable tax policies appear as a barrier to rental housing investment in each case report. Taxes can have a significant impact on the profitability of rental development, which already have slimmer margins than condominium development. On average, taxes and public fees add roughly 12% to the total cost of development in Canadian cities (Lampert, 2003). In Alberta, Tsenkova and Witmer (2011) interviewed private developers and consistently heard that “the current tax environment is not conducive to building new affordable rental housing” (p. 64). This perspective is supported by the Canadian Home Builders Association, which argues the current federal tax regime is “a systemic barrier to rental investment” (CHBA, 2007, p. 1). Lack of federal income tax incentives for rental housing is consistently noted as a barrier in municipal documents. Between the mid 1970s and mid 1980s, the federal government maintained targeted tax incentives for new rental housing in order to address imbalances in the multi-unit housing market following the introduction of condominiums (Metro Vancouver, 2016a). The federal government withdrew the last tax incentives for rental housing in the mid 1980s, which lead to considerable decline in rental housing production (McLanaghan, 2010). In Edmonton and Saskatoon, municipal property taxes compound the inequitable burden of federal tax rates on rental properties by charging higher rates for rental buildings than for ownership housing. Higher rental property taxes increase operating costs for owners of existing rental buildings and make them less financially viable; lowering property taxes on rental buildings could encourage owners to retain those buildings as rentals (Metro Vancouver, 2016b).
5.2.3 Financial Barriers

The most fundamental barrier to building affordable rental housing is that, without government funding or tax incentives, it does not yield a satisfactory return on investment for real estate developers (Black, 2012; Pomeroy, 2012). Each case report describes a financial feasibility gap between the revenue developers can expect to receive from rental projects and the cost of constructing and operating a rental building. All five cities suggest dedicated sources of funding from senior levels of government are needed to overcome the financial feasibility gap.

Municipalities lack the financial resources to encourage rental construction and maintenance on their own. The City of Edmonton notes it has incentive programs for rental construction and rental rehabilitation ready to capture anticipated funding whenever it becomes available; in the meantime, these programs are shelved. The feasibility gap is amplified in Vancouver, where land costs are extremely high. In Halifax, developers note that land costs tend to be higher in areas that are well suited to affordably priced rental development, typically central locations well served by public transit. Across Canada, loans are more difficult to secure for rental construction. Lending institutions charge high interest rates to finance rental projects because they are viewed as risky. The high cost of financing rental development further impacts feasibility. Rising construction and material costs lead to even thinner margins.

5.2.4 Community Opposition

Meta-analysis shows community opposition to be a consistent barrier to the affordable rental construction in all five cities. When community engagement is a required part of the development approval, potential opposition and NIMBY (Not in My Backyard) sentiments introduce another unknown risk for developers that could cost additional time and money. Public education and awareness efforts are consistently suggested in the literature as the approach to counter misinformation and resistance around affordable multi-unit housing. Examples of NIMBYism can be found in each of the five cities. In Halifax, for example, community opponents attempted to halt a mixed-affordable housing development on Gottingen Street. Nova Scotia’s Utility and Review Board ultimately rejected the appeal to stop the development (Alberstat, 2015). North Vancouver faced community opposition when legalizing secondary suites in single-family neighbourhoods during the late 1990s. Community members were concerned that more suites would adversely affect quality of life in the neighbourhood, and that people who live in secondary
suites are not the type of folks they wanted living next door. Municipal officials successfully countered opposition with well-researched factual information that deflated residents’ misconceptions and built consensus around the health and safety benefits of legalizing secondary suites (CMHC, 1999). In response to community opposition, Edmonton Mayor Don Iveson launched a YIMBY – Yes in My Backyard – campaign to help shift common perceptions ahead of several low-market rental development projects across Edmonton (Stolte, 2016).

5.2.5 Redevelopment pressure

Each case report notes redevelopment pressure – repurposing the existing building or the land it sits on for more profitable uses – as a barrier to maintaining purpose-built rental housing. Rental units are frequently lost when older apartment buildings are renovated and converted to condominiums. All five of the cities studied report losing affordable rental units to this type of tenure change. Redevelopment pressure is especially prevalent in Vancouver, where soaring land and housing prices place older rental buildings at risk of conversion or demolition. Vancouver has responded with policies intended to stem the loss of existing rental units; these are outlined below. In new building construction, the literature review found that condominium developments set the price for multi-residential zoned land because of their lower risk and higher returns (Black, 2012; Cheung, 2014; Pomeroy, 2012). This economic reality often leads developers away from purpose-built rental construction.

5.2.6 Aging rental housing stock

Most Canadian cities have not seen adequate rental construction since the 1980s, when federal tax incentives were discontinued. In Vancouver, for example, 88% of the purpose-built rental inventory was built before 1974 (Metro Vancouver, 2016). The majority of Saskatoon’s rental housing stock is close to 40 years old (City of Saskatoon, 2016). Preserving older rental housing stock is critical to ensuring affordability in the rental sector because these units rent for significantly less than newly constructed units. In Halifax, where rental supply is considered adequate, rental affordability remains a challenge. Halifax has a significant stock of older, more affordable buildings, but many are in poor repair (Wanzel, 2017). Poor maintenance of apartment buildings leads to vacancies and eventually demolition. When rental buildings fall into disrepair, the case for saving them becomes harder to make. For owners of smaller scale rental operations,
the high cost of renovations can be a barrier. Financial support is needed to ensure these units are not lost. The five cities studied lack municipal-level rental renovation grants, however, provincial-level supports exist in Ontario and Nova Scotia.

### 5.2.7 Policy coordination and collaboration

Each city in this study has documents emphasizing the need to improve coordination and collaboration with higher levels of government, but also with regional organizations, private developers, and housing providers. Vancouver Housing Policy Director Abigail Bond suggests “the solutions never belong to just us – regional partnerships, advice and support builds consensus” (Bond, 2017). The lack of a clear and consistent path for partnering with government to build affordable rental apartments is a barrier to private sector developers. Incentives and subsidies related to rental investment come and go with no long term certainty to offer developers. Frequently there is disconnect and a lack of collaborative thinking between builders, municipalities, and stakeholders. Saskatoon’s policies have been successful in part because of close alignment with complimentary provincial-level programs; this will be expanded on in the following section. The Region of Waterloo attributes the success of their affordable housing plans to proactive collaboration with private sector and non-profit providers.

### 5.3 Unique Strategies

The third research objective was to identify innovative strategies municipalities are using to overcome the common barriers to developing and preserving rental housing stock. Successful policies were noted in the case reports and summarized in the meta-matrix to allow for cross case-comparison. This report focuses on notable policies currently implemented in Vancouver, Edmonton, Saskatoon and the Region of Waterloo; each is highlighted below according to city. Halifax Regional Municipality is not actively encouraging affordable rental housing through programs or policies, however, early stage initiatives are underway. Tables summarizing key policy findings are presented in Section 5.4.1, Tables 4 - 7, beginning on page 26.

#### 5.3.1 City of Vancouver

Vancouver’s high pressure rental housing market has driven the City to implement innovative rental housing policies. Initiated in 2012, the *Rental 100 Secured Market Rental
Housing Policy uses incentives to encourage the private sector to develop buildings where 100 per cent of the residential units remain rentals for 60 years or the life of the building, whichever is greater (City of Vancouver, 2012). Incentives offered to developers include: development cost levy waivers, parking requirement reductions, relaxation of unit size, additional density beyond existing zoning, and expedited or concurrent processing for projects requiring a rezoning. Rental 100 overcomes some of the financial barriers which prevent developers from investing in rental construction. The aim of Rental 100 is to achieve affordability simply by increasing rental supply. A similar program, Short Term Incentives for Rental Housing, or STIR, preceded Rental 100. Together these programs have successfully increased the supply of rental units; about 8,000 out of 42,000 new units constructed since 2007 have been rentals (Bula, 2017). Rental 100 has been less successful, however, in terms of generating true affordability.

Vancouver’s Rental 100 program has been criticized for the lack of affordability in units created by the program. The rents defined by the City as allowable under Rental 100 were still beyond the reach of most moderate income earners; the lowest maximum rent is $1360 for a studio apartment in East Vancouver (Bula, 2017). A new initiative intends to counter this. In the summer of 2017, Vancouver announced a forthcoming Housing Vancouver Strategy. One of its goals is matching tenants with rents they can afford by requiring new buildings developed under the Rental 100 program to ensure at least 20% of units in the building are affordable for households earning $30,000 to $80,000 per year (City of Vancouver, 2017). Test projects and pilot programs are underway.

In 2007, Vancouver implemented a policy to resist the loss of existing rental stock from redevelopment pressures. The Rental Housing Stock Official Development Plan, or “rate of change” policy (City of Vancouver, 2007), mandates that redevelopment projects with six or more units are not permissible unless they provide for the replacement of each rental unit demolished, or lost through change of use. The policy is limited to zoning districts with a high proportion of rental housing. The city has also adopted a Tenant Relocation and Protection Policy (City of Vancouver, 2015a) which requires developers to submit a tenant relocation plan and tenant impact statement as part of the rezoning or development application process when redeveloping rental properties.

Secondary rental suites are an important source of affordable housing that can be integrated into communities. Vancouver encourages development of secondary rental suites as a means of
adding to the affordable housing stock through zoning that permits secondary basement suites in all single family residential areas (City of Vancouver, 2011). To reduce barriers to creating secondary rental suites, Council has relaxed several building codes, including lower ceiling height requirements, reduced sprinkler system requirements, and permitting full basement suites.

The City of Vancouver preserves rental housing for low-income individuals in the downtown core through the Single Room Accommodation Bylaw (City of Vancouver, 2015). Single room accommodations in rooming houses and residential hotels provide a basic, but essential housing option for individuals with very low incomes. The bylaw prevents tenant displacement and loss of the city’s most affordable private market units through demolition, alterations, or conversion.

5.3.2 City of Edmonton

The City of Edmonton Affordable Housing Investment Plan 2017-2021 (City of Edmonton, 2016b) identifies several ongoing city-funded initiatives, and outlines programs earmarked for senior government funding, including:

- **Building Housing Choices**: Still in its early stages, the city-funded Building Housing Choices program repurposes surplus school sites for developments with a mix of market and affordable housing. Two test sites are under development, and public engagement is underway for several more.

- **Cornerstones Secondary Suites Program**: Between 2006 and 2011 the city-funded Cornerstones secondary suites program provided grants to help create 553 licensed secondary suites within existing homes. Units created under Cornerstones have maximum allowable rental rates set at 85% of the average market rate.

- **Rental Rehabilitation Program**: Edmonton has designed the Rental Rehabilitation Program to provide grant funding to landlords to renovate their properties according to minimum standards of health and safety. The Rental Rehabilitation program is modelled after the Rental Residential Rehabilitation Assistance (RRRAP) program formerly offered by CMHC. The old federal program offered forgivable loans for up to 100% of renovations costs based on the cost of repairs and the number of units on the property. Loan approval was dependent on an agreement placing a ceiling on rents charged after renovations were
Edmonton’s Rental Rehabilitation Program is one of several city housing programs contingent on funding from senior orders of government.

5.3.3 City of Saskatoon

The City of Saskatoon experienced a dramatic increase in rental housing starts under new municipal initiatives which began with the 2008 Housing Business Plan (FCM, 2012b). Between 2008 and 2012, the city provided $14.8 million for housing projects; the city estimates it leveraged approximately $20 of housing investment for every $1 of financial assistance it provided (CMHC, 2012). Saskatoon’s current Housing Business Plan 2013-2022 builds on previous success of collaborating with other levels of government to fund municipal housing initiatives, and coordinate effective program delivery (see Table 2). Saskatchewan’s Provincial Housing Strategy, for example, offers a Rental Development Program and Rental Construction Incentive that contribute funding to matching municipal incentive programs offering rebates in the form of 5-year tax abatements (City of Saskatoon, 2013).

Table 2: Alignment of municipal and provincial housing programs in Saskatoon, SK. (adapted from City of Saskatoon, 2013, p. 6).

<table>
<thead>
<tr>
<th>Housing Type</th>
<th>City Program</th>
<th>Provincial Government Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordable Rental</td>
<td>Innovative Housing Incentive</td>
<td>Rental Development Program</td>
</tr>
<tr>
<td></td>
<td>• Capital grant and 5 yr. tax abatement</td>
<td>• Capital grant that contributes up to 70% of the cost of new</td>
</tr>
<tr>
<td></td>
<td></td>
<td>affordable rental units</td>
</tr>
<tr>
<td>Secondary Suites</td>
<td>Permit Rebate Program</td>
<td>Secondary Suite Program</td>
</tr>
<tr>
<td></td>
<td>• 25% rebate for legalizing existing</td>
<td>• Grant to homeowners to pay up to 50 percent of the cost of new</td>
</tr>
<tr>
<td></td>
<td>suites</td>
<td>secondary suites to a maximum of $30,000</td>
</tr>
<tr>
<td>Purpose-Built Rental</td>
<td>New Rental Construction Land Cost</td>
<td>Rental Construction Incentive</td>
</tr>
<tr>
<td></td>
<td>Rebate Program</td>
<td>• Matching grant of up to $5,000 per new purpose-built rental</td>
</tr>
<tr>
<td></td>
<td>• Cash rebate of $5,000 per unit via</td>
<td>housing unit</td>
</tr>
<tr>
<td></td>
<td>5 yr. tax abatement</td>
<td></td>
</tr>
</tbody>
</table>
Saskatoon is the only city in Canada with a long history of maintaining a land bank (CMHC 2017c). For 50 years, the city has strategically purchased land at low cost, and held it with a long term view to future development when land prices have risen substantially. A CMHC case study reports, “approximately 50 per cent of lots for new residential construction in Saskatoon are on land owned and developed by the City” (CMHC, 2017c). In 1987, the city established a housing trust fund known as the Affordable Housing Reserve, which consists of funds redirected from land sale proceeds. Between 2008 and 2012, the majority of the $14.9 million in municipal funding contributed to the Housing Business Plan programs came from the Affordable Housing Reserve. During that period, the Affordable Housing Reserve supported the creation of 1,427 units of rental housing (CMHC, 2017c).

In 2009, the City of Saskatoon established a new zoning district for affordable and entry level housing types, including townhouses and rental apartments. The zone permits, designated RMTN1, permits higher densities and greater maximum site coverage, which help reduce the land cost per unit for developers. Rental zoning also reduces speculation from condo-focused developers. This zoning district is now being applied in new neighbourhoods according to projected need for affordable housing (City of Saskatoon, 2013, p.15). Saskatoon also offers Land Differential Cost Incentives. This policy encourages rental housing construction in communities with low concentration of rental units by offsetting land costs through a grant of up to five per cent of total capital cost.

5.3.4 Regional Municipality of Waterloo

Collaborating with senior orders of government and harnessing available funding from them is a critical success factor for the Region of Waterloo’s growing stock of affordable rental housing. The Region of Waterloo Affordable Housing Strategy 2014-2019 explains that staff actively collaborate with local partners to lobby senior orders of government for long-term sustainable funding (Region of Waterloo, 2014). Partnering with non-profit and private sector developers is also key to their success in developing rental units. The Region of Waterloo, however, does not appear to have the same municipal-provincial program alignment that Saskatoon demonstrates in rental housing programs (see Table 2). To fund its affordable housing initiatives, The Region of Waterloo combines its own financial resources with funding from the federal-provincial Investment in Affordable Housing for Ontario program (Province of Ontario, 2016). To
overcome the barrier of financial feasibility in building rental housing, the Region of Waterloo has implemented three important policies, which were enabled through bylaw changes:

- **Capital Grant for Affordable Rental Housing:** Funded by municipal, provincial, and federal levels of government, the Capital Grant helps offset the capital costs of rental construction. Grants are given to developers based on responses to requests for proposal issued by the Region of Waterloo. In 2015, the rate was the lesser of up to 75% of total capital costs per unit, or up to $125,000 (Region of Waterloo, 2017). Units constructed under this grant must remain affordable rentals for a minimum of 25 years.

- **Regional Development Charge Grant:** Projects that have received a capital grant are eligible to apply to have regional infrastructure development fees, also known as off-site levies, waived.

- **Rental Property Tax Classification:** A lower property tax classification for new rental housing was also introduced through a bylaw change, reducing monthly operating costs by between $50 and $100 per unit (CMHC, 2004). This policy compliments the federal and provincially funded capital grants to further incentivize rental construction.

### 5.3.5 Halifax Regional Municipality

Within the Halifax Regional Municipality, no active policies were identified with respect to encouraging development of new market rental stock or preserving existing rental housing. Halifax Regional Council has, however, endorsed the Affordable Housing Working Groups five-year targets (AHWG, 2015) and outlined “implementation activities” to achieve these goals (HRM, 2016, p.10). These ideas are being explored further in a regional planning document known as the Centre Plan, which is currently under development.

Key initiatives under consideration which relate to affordable rental housing include (HRM, 2016, p.10):

- Preserve long-term viability of affordable market housing (e.g. increased tax exemptions; reduction of development fees; expedited approval processes).
- Advance key areas of planning policy development and research to include smaller units, secondary suites, laneway housing and row housing, rooming houses, and group homes.
- Monitor progress of housing need, including types of housing, priority populations and
geographic areas.

- Request provincial legislative changes to the *Halifax Regional Municipality Charter* required to implement density bonusing and enable inclusionary zoning and community land trust models.

## 5.4 Summary of Findings

This study validates existing literature on barriers to developing and preserving affordable rental housing. Through a systematic review of available documents, the research identifies seven thematic barriers to developing and preserving rental housing:

1. Regulatory and planning barriers;
2. Tax barriers;
3. Financial barriers;
4. Community opposition;
5. Redevelopment pressure;
6. Aging rental housing stock; and
7. Policy coordination and collaboration.

Each of the seven barriers occur on some level in the cities of Vancouver, Edmonton, Saskatoon, the Region of Waterloo, and Halifax Regional Municipality, see Table 3 below.
Table 3: Thematic barriers common across all five cities.

<table>
<thead>
<tr>
<th>Barrier</th>
<th>Vancouver</th>
<th>Edmonton</th>
<th>Saskatoon</th>
<th>Waterloo</th>
<th>Halifax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory &amp; planning</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Tax</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Financial</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Community opposition</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Redevelopment pressure</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Aging rental housing stock</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Policy coordination</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

The research also identifies successful strategies municipalities have implemented to overcome barriers to affordable rental housing; these policies are outlined in Tables 4-7 below (Section 5.4.1). Broadly speaking, the policies fall into two approaches. The first approach promotes new supply of purpose-built rental buildings through grants and subsidies, waiving of publicly levied fees, and streamlining the development application process. The goal of these policies is to make rental construction more economically feasible and minimize risk for developers. The second approach aims to preserve and protect existing rental housing by limiting demolitions and tenure conversions, or subsidizing maintenance of older rental buildings, while other policies maintain affordability by promoting secondary suites within existing dwellings.
### 5.4.1 Policy Tables

#### Table 4: City of Vancouver policy chart

<table>
<thead>
<tr>
<th>Policy</th>
<th>Description</th>
<th>Barrier Addressed</th>
</tr>
</thead>
</table>
| **Rental 100 (Secured Market Rental Housing Policy)** | Encourages projects where 100 per cent of the housing units are secured as rentals for 60 years or life of the building, whichever is greater. Eligible incentives include:  
  - Development cost levy (DCL) waiver  
  - Parking requirement reductions  
  - Relaxation of unit size to 320 square feet  
  - Additional density beyond existing zoning  
  - Concurrent application processing | • Financial barriers  
  • Regulatory/Planning barriers |
| **Rate of Change Guidelines (Rental Housing Stock Development Plan)** | Mandates that redevelopment projects in multi-family zoning districts with six or more units are not permissible unless they provide for the replacement of each rental unit demolished, or lost through change of use. There is no requirement for affordability in replacement units. | • Redevelopment pressure |
| **Secondary Suites Bylaw** | Encourages development of secondary rental suites single family zones. To reduce barriers to creating secondary rental suites, Council has relaxed several building codes. | • Regulatory/Planning barriers |
| **Tenant Relocation and Protection Policy** | Requires developers to submit tenant relocation plan and tenant impact statement when redeveloping rental properties | • Redevelopment pressure |
| **Single Room Accommodation Bylaw** | Prevents loss of the city’s most affordable rental units – residential hotels and rooming houses | • Redevelopment pressure  
  • Aging buildings |
### Table 5: City of Edmonton policy chart

<table>
<thead>
<tr>
<th>Policy</th>
<th>Description</th>
<th>Barriers Addressed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building Housing Choices</td>
<td>City provides surplus school sites for development of mixed market and affordable housing</td>
<td>• Financial barriers: land costs</td>
</tr>
<tr>
<td>Cornerstones Secondary Suites</td>
<td>Provides grants to help create secondary suites. Units created under Cornerstones have maximum allowable rental rates set at 85% of the average market rate</td>
<td>• Financial barriers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Planning/regulatory barriers</td>
</tr>
<tr>
<td>Rental Rehabilitation Program</td>
<td>Provides grant funding to landlords to pay for renovations to bring properties up to minimum levels of health and safety. The program will be modeled on the Rental RRAP program previously delivered by the CMHC.</td>
<td>• Aging buildings</td>
</tr>
<tr>
<td>(Awaiting senior government funding)</td>
<td></td>
<td>• Financial barriers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Redevelopment pressure</td>
</tr>
</tbody>
</table>
### Table 6: City of Saskatoon policy chart

<table>
<thead>
<tr>
<th>Policy</th>
<th>Description</th>
<th>Barriers Addressed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental Housing Construction Incentives</td>
<td>New Rental Construction Land Cost Rebate Program pairs with Provincial rental construction grants, offering cash rebate of $5,000 per unit via 5 yr. tax abatement</td>
<td>• Financial barriers: economic feasibility</td>
</tr>
<tr>
<td>Rental Zoning</td>
<td>RMTN1 Zoning district for affordable and entry level housing types, including townhouses and rental apartments. Zone permits higher densities and greater maximum site coverage, reducing land cost per unit for developers. This zoning district is being applied in new neighbourhoods according to projected need for affordable housing. The zoning bylaw is continually reviewed to ensure adequate supply of appropriately zoned land.</td>
<td>• Prevents rentals competing with condo development in multi-unit zoning districts</td>
</tr>
<tr>
<td>Land Differential Cost Incentive</td>
<td>Encourages rental housing construction in communities with low concentration of rental units by offsetting land costs through a grant of up to five per cent of total capital cost</td>
<td>• Financial barriers: distribution of affordable rental units</td>
</tr>
<tr>
<td>Land Bank</td>
<td>For 50 years, the City has strategically purchased land at low cost, holding it with a long term view to future development when land prices have risen. Established a housing trust fund known as the Affordable Housing Reserve, which consists of funds redirected from land sale proceeds</td>
<td>• Financial barriers: revenue source for rental incentives</td>
</tr>
</tbody>
</table>
Table 7: Region of Waterloo policy chart

<table>
<thead>
<tr>
<th>Policy</th>
<th>Description</th>
<th>Barriers Addressed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Grant for Affordable Rental</td>
<td>Funded by three levels of government, the Capital Grant helps offset the capital costs of rental construction. Grants are given to developers based on responses to request for proposals issued by the Region of Waterloo</td>
<td>• Financial barriers: economic feasibility</td>
</tr>
<tr>
<td>Regional Development Charge Grant</td>
<td>Projects that have received a capital grant are eligible to apply to have regional infrastructure development fees, also known as off-site levies, waived.</td>
<td>• Financial barriers: economic feasibility</td>
</tr>
<tr>
<td>Rental Property Tax Classification</td>
<td>A lower property tax classification for new rental housing was also introduced through a bylaw change, reducing monthly operating costs by between $50 and $100 per unit</td>
<td>• Tax Barriers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Financial Barriers</td>
</tr>
</tbody>
</table>

6. Discussion

Across the five cities in this study, financial feasibility is the biggest hurdle for private sector rental development. Private developers are not able to cover new building costs and generate acceptable profit margins without rent levels many times higher than what would be considered affordable (Black, 2012). There is high demand for modestly priced rentals, but the private sector is not supplying that demand because the revenue is not there. In this way, affordable rental housing represents a free-market failure. Left to its own devices, the private-sector does not meet the demand for affordable rental housing because building rentals involves more risk and less profit than ownership models of multi-unit development. The rental supply gap will continue to grow without government intervention.

Policies helping to bridge the gap of economic feasibility and attract more private-sector involvement in rental housing provision are needed. Local governments do not have the resources on their own to create sufficient incentives to stimulate the rental housing market. Whenever
possible, municipalities should use a partnership approach for purpose-built rental supply programs (FCM, 2012; McLaanaghan & Associates, 2010). Saskatoon and the Region of Waterloo have been especially successful in partnering with senior levels of government, matching funding with locally administered programs. Municipalities require consistent and reliable support from federal and provincial governments in the form of funding arrangements and favourable tax policies to maintain a healthy affordable rental housing sector.

Many municipal policies encourage construction and increased the supply of new rental housing. Such policies are important, but they reflect a long-range approach to affordability. Initially, newly completed units in central locations will receive higher average rents, and even drive forecasted rent increases for the total rental universe (CMHC, 2016c). Over time, rents will decrease as buildings age and eventually contribute more affordable rental stock. Too often, programs in support of private rental housing benefit developers already wealthy enough to build new units, rather than benefiting renters in need (Sewell, 1994).

Vancouver Mayor Gregor Robertson notes the Rental 100 program was very innovative eight years ago, but his administration has since realized supply alone is not enough: “There's this false assumption that more supply will mean more affordability. But that hasn't panned out in Toronto or Vancouver. We do need lots more supply, but if we don't tie that to rents that connect to income, we'll just be behind the eight-ball” (quoted in Bula, 2017). Pilot projects under the new Housing Vancouver Strategy hope to connect new rental supply with incomes in the $30,000 - $80,000 range (City of Vancouver, 2017).

Programs to encourage new rental supply should be balanced with measures aimed at preserving and maintaining the existing rental stock, which tends to be far more affordable. This requires municipalities to limit condo conversions and consider rate of change policies such as those implemented in Vancouver to preserve rental housing facing redevelopment pressure. Aging and poorly maintained rental housing stock is common across the five cities studied. Measures to support the maintenance and renovation of these buildings will make them more likely to resist redevelopment pressure than if they are left to deteriorate. Edmonton’s Affordable Housing Strategy has designed a Rental Rehabilitation Program, but it is shelved until federal or provincial funding becomes available (City of Edmonton, 2016b). None of the five cities studied have
municipal rental renovation programs; however, provincial level rental renovation funding is available in Nova Scotia and Ontario.

Policies supporting maintenance and upgrading of older rental housing stock should be considered. In Halifax, the lack of policies to encourage market rental construction is likely due to the city’s unique rental housing climate, which produces an adequate supply of new rental units. Despite active rental construction in Halifax, affordability remains a challenge in rental housing. Maintaining and upgrading existing rental stock presents an opportunity to preserve affordability in Halifax (Wanzel, 2017).

Simplifying municipal regulatory and planning processes is one policy approach that may not require significant funding to implement. Processing of development applications for rental buildings can be prioritized by planning departments, thereby lowering the risk of time and money spent by developers. Vancouver and Saskatoon have successfully implemented priority processing for rental developments.

Vancouver, Edmonton, Saskatoon, and the Region of Waterloo each offer examples of innovative rental housing policies that could be implemented elsewhere. The full scope of Vancouver’s Rental 100 might not be feasible for smaller cities, but select incentives within the program, such as reduction of parking requirements and development levy waivers, are transferable to mid-size cities. CMHC suggests financing a housing trust through land bank sales, as Saskatoon does, may be difficult for other municipalities to replicate if they do not have a long history of land banking (CMHC 2017c). Municipalities should still consider strategic land sales as a means of funding their housing programs, or making those lands available for non-profit housing providers. Housing trusts are financed elsewhere through real estate transfers, or support from senior levels of government. Edmonton and Calgary operate successful housing trusts with funding established through provincial legislation (Tsenkova & Witmer, 2011). The Region of Waterloo increases the impact of provincial and federal funding through complimentary municipal measures such as discounted tax classification for rental properties. Most of the unique policies identified in this report require effective collaboration with senior orders of government for funding and alignment of program delivery. Transferability of the successful initiatives identified in this report requires policy coordination. Municipalities’ ability to effectively partner with senior governments will be critical to maximizing the impact of the 2017 National Housing Strategy.
7. Limitations and Future Research

The meta-analysis conducted for this study did not count the frequency of key words or concepts that occurred in the documents and case reports. As a result, it is not possible to quantify the amount that each of the seven barriers is discussed within the documents collected for each city. Future research could include a content analysis element in order to quantify which barriers are more and less prominent within case material.

Investigation of more Canadian cities is required – and will be contributed by future students – to determine whether the trends identified here apply to municipalities across Canada. Document focused research often does not uncover specifics of how policies are successfully implemented. Future research will go beyond meta-analysis, conducting interviews and surveys with housing professionals, planners, and private developers to better understand municipal rental housing policies and the seven barriers identified in this report. Questions for future research include:

- How is cooperation with senior levels of government facilitated and achieved in cities like Saskatoon and the Region of Waterloo?

- What are the underlying causes of Halifax’s unique rental construction climate, in which rental buildings lead new multi-unit housing developments?

8. Recommendations and Conclusion

This report identifies seven common barriers to developing and preserving affordable rental housing and confirms these barriers are present in Vancouver, Edmonton, Saskatoon, the Region of Waterloo, and Halifax Regional Municipality. Four of the cities demonstrate strategies for reducing barriers to rental housing, while Halifax Regional Municipality is considering the adoption of several. Based on their examples, the researcher offers four possible strategies for Halifax and other mid-size cities to encourage development and preservation of affordable rental housing:

1. **Senior government collaboration.** On a macro level, funding and policy collaboration with senior levels of government is essential. Municipalities do not have the resources to encourage substantial affordable rental housing development without reliable support from
Lemphers 33

federal and provincial government. Collaboration will provide the financial resources to pursue local solutions. Saskatoon and the Region of Waterloo demonstrate that success in developing affordable rental units in mid-size cities is dependent on funding and program collaboration with senior government.

2. **Maintain aging rental buildings.** Developing new rental units alone is not enough, and new units will likely not be attainable for lower incomes. Older rental buildings offer some of the most affordable housing options in cities. Programs to preserve aging rental housing are a cost-effective way to bolster affordable rental housing supply.

3. **Zone for rentals.** On a local level, mid-size cities should consider the creation of rental zoning districts. Zoning for rentals does not cost taxpayers, and prevents rising prices due to speculation from condominium development in multi-unit zoning districts. Saskatoon is successfully implementing rental zoning in new neighbourhoods. Vancouver is lobbying the BC government to grant them power to create rental-only zones.

4. **Lower property tax for rentals.** Municipal property tax rates may compound inequitable federal and provincial taxes on rental properties. Mid-size cities can incentivize purpose-built rental buildings by ensuring local property tax rates for rental buildings are the same or lower than those applied to condominium buildings. Lower property tax rates can significantly reduce the per unit cost of operating rental housing. The Region of Waterloo implemented a lower tax classification for rental buildings.

Market conditions vary between cities; there is no one tool or measure that alone can adequately encourage development and preservation of affordable rental housing. What is clear is the private market will not fulfill the need for affordable rental housing without policies that make it profitable to do so. A coordinated and multi-layered approach is needed to engage the private sector through grants, subsidies, tax incentives, development fee waivers, municipal land sales, building maintenance programs, and rental zoning.

In the recently released National Housing Strategy, the Liberal government commits to re-establishing a federal role in housing and “introduce key tools to fill critical gaps, and respond to imbalances in housing markets” (CMHC 2017d). This report argues affordable rental housing is a critical supply gap in the housing market. Overcoming this gap requires municipalities to pursue collaborative funding and enact policy interventions to encourage supply of rental housing and
protect existing affordable rental buildings. Municipalities should devote staff resources to proactively engaging senior levels of government and designing programs to capture National Housing Strategy funding when it becomes available. Facilitating partnerships will ensure effective policy coordination and maximize investments in the rental housing sector. New policies should take two approaches: one, incentivize new rental construction to meet growing demand and create rental housing supply that is affordable in the longer term, and two, maintain aging rental buildings to preserve rental supply that offers affordability now.
9. References


### 1. Regulatory & Planning Barriers
- **Vancouver**: Policy: Rent bon use (City Planning Dept) and policy: Enforcing minimum affordable rental housing $/sq ft or building permits. Demand for rental construction is high.
- **Edmonton**: Lack of incentives for new construction and the cost of constructing and operating a project is high.
- **Saskatoon**: Policy: Rent Bon use (City Planning Dept) and policy: Increase the cost of constructing and operating a project.
- **Saskatchewan**: Policy: Rent Bon use (City Planning Dept) and policy: Increase the cost of constructing and operating a project.
- **Redevelopment**: Policy: Rent Bon use (City Planning Dept) and policy: Increase the cost of constructing and operating a project.
- **Halifax**: Policy: Rent Bon use (City Planning Dept) and policy: Increase the cost of constructing and operating a project.
- **National**: Policy: Rent Bon use (City Planning Dept) and policy: Increase the cost of constructing and operating a project.

### 2. Fiscal/Tax Barriers
- **Vancouver**: Policy: Rent Bon use (City Planning Dept) and policy: Increase the cost of constructing and operating a project.
- **Edmonton**: Policy: Rent Bon use (City Planning Dept) and policy: Increase the cost of constructing and operating a project.
- **Saskatoon**: Policy: Rent Bon use (City Planning Dept) and policy: Increase the cost of constructing and operating a project.
- **Saskatchewan**: Policy: Rent Bon use (City Planning Dept) and policy: Increase the cost of constructing and operating a project.
- **Redevelopment**: Policy: Rent Bon use (City Planning Dept) and policy: Increase the cost of constructing and operating a project.
- **Halifax**: Policy: Rent Bon use (City Planning Dept) and policy: Increase the cost of constructing and operating a project.
- **National**: Policy: Rent Bon use (City Planning Dept) and policy: Increase the cost of constructing and operating a project.

### 3. Financial Barriers
- **Vancouver**: Policy: Rent Bon use (City Planning Dept) and policy: Increase the cost of constructing and operating a project.
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### 4. Community Opposition
- **Vancouver**: Policy: Rent Bon use (City Planning Dept) and policy: Increase the cost of constructing and operating a project.
- **Edmonton**: Policy: Rent Bon use (City Planning Dept) and policy: Increase the cost of constructing and operating a project.
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### 5. Redevelopment Pressure
- **Vancouver**: Policy: Rent Bon use (City Planning Dept) and policy: Increase the cost of constructing and operating a project.
- **Edmonton**: Policy: Rent Bon use (City Planning Dept) and policy: Increase the cost of constructing and operating a project.
- **Saskatoon**: Policy: Rent Bon use (City Planning Dept) and policy: Increase the cost of constructing and operating a project.
- **Saskatchewan**: Policy: Rent Bon use (City Planning Dept) and policy: Increase the cost of constructing and operating a project.
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### 6. Age of Stock & Renovation Cost
- **Vancouver**: Policy: Rent Bon use (City Planning Dept) and policy: Increase the cost of constructing and operating a project.
- **Edmonton**: Policy: Rent Bon use (City Planning Dept) and policy: Increase the cost of constructing and operating a project.
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- **National**: Policy: Rent Bon use (City Planning Dept) and policy: Increase the cost of constructing and operating a project.

### 7. Policy Coordination Collaboration
- **Vancouver**: Policy: Rent Bon use (City Planning Dept) and policy: Increase the cost of constructing and operating a project.
- **Edmonton**: Policy: Rent Bon use (City Planning Dept) and policy: Increase the cost of constructing and operating a project.
- **Saskatoon**: Policy: Rent Bon use (City Planning Dept) and policy: Increase the cost of constructing and operating a project.
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- **Redevelopment**: Policy: Rent Bon use (City Planning Dept) and policy: Increase the cost of constructing and operating a project.
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- **National**: Policy: Rent Bon use (City Planning Dept) and policy: Increase the cost of constructing and operating a project.
Appendix B: Additional Sources

The following documents were included in meta-analysis, but not referenced in the report:


