

David Ley: Vancouver's housing policy: A Faustian bargain

VANCOUVER RESIDENTS IN THE 2022 MUNICIPAL ELECTION WERE TOLD TO TOLERATE THE DOWNSIDES OF RAPID GROWTH AND DENSIFICATION SO THAT AFFORDABLE HOUSING IS ACHIEVED. BUT IT IS NOT WORKING OUT THAT WAY

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By David Ley

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We are now far enough into the radical policy blueprint to reshape Vancouver's residential landscape, mandated by the city and the province, to assess its costs and benefits based on evidence rather than aspiration. For most analysts, the costs significantly exceed the benefits. Consider the following.

Current plans envisage adding over 100,000 people, approximately the population of Nanaimo, to Vancouver. Consider Nanaimo's infrastructure: its roads, transit, hospitals, family physicians, schools, fire stations, community centres, libraries, parks, etc. We'll need a comparable increment of services.

"Current plans envisage adding over 100,000 people, approximately the population of Nanaimo, to Vancouver."

Are we planning for that? Are we budgeting for that? Then consider the cost of new bridges, rapid transit and sewage plants for a rapidly growing and larger regional population, all of them subject to cost overruns. The federal government's failure to match unprecedented immigration targets against available housing and overstretched infrastructure indicates disturbing political blindness to the costs and needs accompanying rapid growth.

The fiscal management of the city is also at risk. During a market downturn, the development industry is challenging existing cost-sharing practices, notably the convention that growth pays for growth. Inevitably, heavier taxpayer burdens will then fall on residents and small businesses.

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Among other downsides, Vancouver has lost its claim to be a green city. Reversing decades of policy, urban clearcutting is now removing trees from development sites despite what climate science tells us of their value in mitigating summer heat and absorbing run-off from heavy rains.

We are removing these natural allies while wasteful demolition, including material from houses barely 20 years old, is bloating the landfill. An environmental perspective of reduce, reuse, recycle is gone.

Imperilling the city’s beauty, sterile, monotonous streetscapes are emerging, with barebones design as developers work under tight margins despite planning concessions. Vancouver’s iconic views of mountains and ocean are being lost behind concrete barriers and the threat to view corridors. And what future is there for outstanding parks without the stewardship of an elected parks board?

In return for the systematic and rapid reduction of our urban quality of life, what is being offered? We are told by local and provincial politicians that densification for growth is required to provide affordable housing, as described in the city’s Housing Vancouver strategy. This was the expectation of Vancouver residents in the 2022 municipal election; tolerate the downsides of rapid growth and densification so that affordable housing is achieved.

“Our community wants to change that. We’re asking for equivalent zoning with modest considerations for heritage and multi-bedroom units under three storeys.”

The goal of housing policy emphasized providing affordable homes for “the missing middle,” originally identified with household incomes under \$80,000 a year. According to Housing Vancouver, it is not just a matter of adding supply, but “the right kind of supply,” affordable

supply. Of the 35,000 units targeted for this income group over 10 years, the largest number are planned as new purpose-built rental apartments.

But here lies a fundamental problem, for land, construction and other costs undercut the affordability proposition. According to CMHC data for the city of Vancouver, the average rental cost for a one-bedroom unit built before 1990 was approximately \$1,700 a month in 2023; for a new one-bedroom apartment built 2020-2023, the monthly rental in 2023 was \$2,550 — 50 per cent higher.

This new small unit would require an annual income of \$102,000, with the 30 per cent affordability rule. So, who are we building new units for? Not for the missing middle. As a rule of thumb, old residential units are affordable and new units are unaffordable.

The city has admitted as much with its plans to enter the rental market by building towers in the West End. Its business plan for market units envisages tenants with incomes between \$90,000 and \$194,000, described as “middle-income earners” who are priced out of ownership. But what about the original missing middle, those making less than \$90,000, a large group in Vancouver’s characteristically low-wage labour market?

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Instead of the “right kind of supply,” market-driven supply reflects high land and construction costs, driven still higher by upzoning. The scramble to capitalize development potential in the upzoned Broadway corridor shows land prices rising in sync with a new perception of a “higher and better use.”

Academic studies around North America confirm that rezoning to permit greater supply raises land and residential prices, and fails to create affordability. As Mike Hurley, mayor of Burnaby, has stated on several occasions, “The idea that supply will lead to affordability is an absolute fallacy.”

But it is unaffordable supply that is the outcome of much current housing policy in this region. In an already built-up area such as Vancouver, new supply requires the demolition of existing units. Typically, these are older and more affordable three-storey rental apartments and secondary suites.

In a municipality that gestures to affordability the widespread demolition of affordable units, a precious resource, is extraordinary. It also contradicts one of the six basic objectives of Vancouver's Housing Strategy: "Protect existing affordable housing." But in practice, working people, the elderly and students all experience the trauma of "demoviction" from newly vulnerable apartments and secondary suites in a housing market with minimal vacancies.

To be sure, small numbers of below-market rentals are shoehorned into new buildings, but the absolute total falls far short of the loss through demolition of existing low to moderate rental units, as rental housing specialists including Steve Pomeroy and Jill Atkey have been telling those who will listen.

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There is a name for this process, where public policy displaces low- and moderate-income people from existing affordable housing: state-led gentrification. What is surprising to many is the energetic involvement not only of Vancouver city council but also of the NDP provincial government in gentrification-induced displacement.

Have voters been offered a Faustian bargain? The effects of growth have not been offset by residential affordability through upzoning and new supply. Instead, affordability has deteriorated as expensive new units replace affordable older units. What is the evidence-based rationale for continuing with such failed housing policy?

Politicians and their staff may be prepared to ignore evidence-based arguments. But they cannot ignore the will of the people. In the recent Vancouver byelection two housing activists were elected, while ABC candidates were rebuffed. Vancouverites have recognized the Faustian bargain of existing housing policy.

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