

Solving the Housing Crisis

Carnegie Community Action Project

CCAP



As private market solutions to affordable housing in the DTES, many of the SRO hotels do not have private bathrooms or even meet basic health and safety standards.



Introduction

In declaring affordable housing in the Downtown Eastside a “failed social experiment”, Rich Coleman, British Columbia Minister responsible for Housing, denies the reality and benefits of contemporary community-based and operated social housing. Furthermore, he relies on outdated stereotypes of US-style public housing – a model that has been abandoned in this province for decades.¹ To break these stereotypes and show the extent of the affordable housing crisis in Vancouver and its region, this policy brief highlights the findings of various government and academic studies on affordable housing and homelessness in Greater Vancouver and provides an overview of local and provincial housing policy with special attention to the Downtown Eastside.

The chronic shortage of affordable housing and the failure of private markets to provide such housing has meant that government involvement at all levels has been a necessity. For several

decades, multiple levels of government have used a range of tools to create affordable housing. However, current provincial practices and proposed changes to housing policy and development trends threaten to aggravate what is already an affordable housing crisis for low to middle income individuals and families.

This is a crisis that has created a marked increase in homelessness across the region. For the Downtown Eastside, these policy changes and intensifying redevelopment pressures are threatening to further reduce the number of the single room occupancy (SRO) hotels, the last step before homelessness for many. In a storm of rocketing real estate prices, changing government affordable housing and income assistance policy, and increasing gentrification, low income individuals and families in the Downtown Eastside and the rest of Greater Vancouver are finding it impossible to find safe and affordable homes.

Greater Vancouver Regional District Affordable Housing Statistics at a Glance

Average annual household income needed to afford a single family home in GVRD	\$121,921
Average annual household income in GVRD	\$42,624
2005 rental vacancy rate for the City of Vancouver	0.7 percent
Rental vacancy rate considered healthy	3 - 5 percent
2003 homeless population in the GVRD	628
2005 homeless population in the GVRD	1,291
Cost of services and shelter to a homeless person	\$30,000- \$40,000
Cost of services and shelter to a formerly homeless person in social housing	\$22,000- \$28,000
Number of rental units needed to be built in the GVRD every year until 2021	3,525
Number of rental units built in the GVRD in 2005	415
Average number of rental units built in the GVRD over the last 5 years	1,540
Rent for average bachelor suite in the Downtown Eastside	\$570
Shelter allowance for single person receiving income assistance	\$325
Amount per month a single person on income assistance receives (including shelter allowance)	\$510
Amount per day a single person on income assistance is expected to survive on	\$6

The Affordable Housing Crisis in Vancouver and its Region

This section summarizes the key findings of several reports on housing affordability and homelessness published by various government, community, and academic sources in Greater Vancouver. Where available, the web address for each report is cited in the footnotes. All these reports show that the scarcity of affordable housing is a persistent issue in Vancouver and describe the immense human and financial costs of not adequately housing all the city's residents regardless of income.

The 15th Most Expensive Housing Market in the World

In a 2005 survey of median house prices and incomes in 100 cities in the United Kingdom, Ireland, Australia, Canada, New Zealand and the United States, Demographia International found that Vancouver had the 15th most expensive housing market in the world.²

When median house price is measured by a ratio of median income, anything above 5.1 is considered severely unaffordable. In the survey, Vancouver had a housing affordability index of 6.6. To place Vancouver in context, London, England in 11th place had a score of 6.9.

Affordable Housing is a Regional and Local Problem

According to a recent GVRD survey of housing prices, the purchase of an average single family house in the region requires a minimum household income of \$121,921 for mortgage payments to be considered affordable.³ The average household income in the GVRD was \$42,624 in 2001. For many working families in the GVRD, it is virtually impossible to purchase a home.

For renters, the housing story is even more bleak. The CMHC defines households as being in "core housing need" if they live in housing that falls below one or more of the established standards for quality and crowding and if the household has insufficient income to find alternative housing within the 30% affordability threshold.

One in three renters in Greater Vancouver is in core need. A 2002 survey by the GVRD of 700 core need renters discovered that:

- 1 in 3 households had difficulty paying rent every month
- 35% had to choose between paying rent and buying food
- 44% reported needing to move if their income were to decrease by \$100/month; and
- Less than 35% reported having a cushion of one month's rent in savings to fall back upon in an emergency.



SRO hotels such as the Burns Block and the Pender Hotel have been closed by the City of Vancouver. Tenants have fought to keep the hotels open rather than risk homelessness.

A 0.7 percent Rental Vacancy is Unhealthy

According to the Canadian Mortgage and Housing Corporation (CMHC), the City of Vancouver had a rental vacancy rate of 0.7 percent in October 2005.⁴ The vacancy rate for the City has remained below the fifteen-year average of 1.5 percent for the last two years of CMHC Rental Market Surveys. To place these vacancy rates in context, a residential vacancy rate of 3 to 5 percent is considered a healthy rental market.

Homelessness Doubled between 2003 and 2005

A partial measure of the degree of housing crisis in Greater Vancouver is the number of homeless people. The 2005 GVRD Homeless Count documented a doubling of the homeless population in the region from 628 in 2003 to 1,291 in 2005.⁵ Barriers to getting welfare, low income and housing costs were cited as key structural factors underlying this increase. And contrary to popular belief, most of the homeless (75%) in the region were from Greater Vancouver rather than being new migrants from other parts of Canada or outside the country.

A large number of people in Greater Vancouver are also *at-risk* of homelessness. This is defined in terms of the quality, number of people living in a housing unit, and especially affordability of housing. Households spending at least 50% of income on shelter



are considered to be at risk. According to blended data from the 2001 Census and the Canada Mortgage and Housing Corporation, there were 126,515 people living in 56,215 households at-risk of homelessness in Greater Vancouver in 2001.⁶ The reasons that households enter the at-risk category are wide-ranging, and can include job loss, inadequacy of income assistance, family violence, and a lack of affordable housing. The figures above focus only on economic factors and thus represent a conservative estimate of the at-risk population. Homelessness has a sizable financial cost for taxpayers. A 2001 study of the costs of homelessness by the BC government showed that the costs of providing government services to the homeless exceed the of services for those who are housed, even when social housing costs are factored in.⁷ Service and shelter costs for homeless people ranged from \$30,000 to \$40,000 per year, on average, compared to \$22,000 to \$28,000 per year for housed individuals (formerly homeless people living in social housing).

Market Rents Unaffordable for Most DTES Residents

Bachelor suites in East Vancouver cost an average of \$589 a month in October 2005, requiring a household to earn at least \$21,204 per year. With a median household income of \$12,084 in 2001, market rate rental apartments are thus beyond the reach of well over half of Downtown Eastside residents.⁸

Service and shelter costs for homeless people ranged from \$30,000-\$40,000 per year compared to \$22,000-\$28,000 for formerly homeless people living in social housing.

For those on income assistance, safe and clean housing is often impossible to find as income assistance rates are woefully inadequate. A study by the Social Planning and Research Council of BC shows income assistance rates can barely sustain 41 percent of minimum living costs for a single adult in 2005.⁹

The percentage of minimum living costs met by income assistance has declined from 45 percent in 2001 to 41 percent in 2005. A single person on social assistance receives a \$325 per month shelter allowance and \$185 living allowance.¹⁰ The form of market housing that is the most accessible for people on income assistance in the Downtown Eastside is the Single Room Occupancy (SRO) hotel, with average monthly rents of \$380. A single person on social assistance receives a \$185 living allowance and \$325 shelter allowance.

In order to afford an average rent for a room in the DTES, a person on welfare must use part of her/his living allowance. The result is that an individual has to live on less than \$4.50 per day – less than \$1.50 for each meal, with no allowance for clothing or personal hygiene items like soap, shampoo and toothpaste. To place income assistance rates in perspective, the Finance Minister's new \$600 Gucci shoes cost \$90 more than the amount that a single person on income assistance is expected to live on for an entire month.¹¹

The state of SRO hotels in the area also reflects the fragile nature of affordable housing in the Downtown Eastside. SROs are small rooms, usually in privately owned and managed buildings, with shared bathrooms. Despite their inadequacies, SROs play a key role, not only in the Downtown Eastside but in the region, because they represent the last line of housing before homelessness for many low income individuals. While a SRO retention bylaw was passed in 2003, it has many loopholes and the \$5,000 fine for converting without city permission is too low to deter conversions in a hot real estate market.

While the Downtown Eastside has seen some gains in non-profit built units designed to house low income individuals, the for-profit housing market has seen a net loss of low rent units. Many of these losses can be attributed to conversions to backpacker hostels and student housing as well as demolitions for condominiums. While some of these converted units are still calculated by some housing counts as affordable units, they do not actually house local low income individuals. According to a report published by the Pivot Legal Society, there has

been a permanent loss of 206 units for low-income residents in downtown Vancouver through conversions between 2003-05.¹² When rent increases and the decreasing buying power of income assistance are factored in, there was an additional loss of 415 units for low-income individuals between 2003-05. Consequently, there was a net loss of 621 units of affordable housing units between 2003 and 2005.

Provincial Housing Policy: A Multi-tool Approach

British Columbia has historically used a collection of tools to provide low to lower-middle income residents with access to safe and affordable housing. Contrary to popular belief, the Government of British Columbia does not directly build social housing. Large scale public housing projects like those seen in many American cities have not been built in British Columbia since the early 1970s. Instead, through grants, low interest loans, and mortgage guarantees, community agencies and organizations build non-profit housing that best serve their communities. This increases the rental housing stock that the real estate and development market will not supply.

Rent supplements have historically played a part of developing affordable housing strategy, generally administered on a “rent-geared-to-income” basis. Tenants who qualify for rent supplements pay rent based on the gross income of the household rather than paying the market rate. It appears that those who qualify for rent supplements will only be elderly or people with disabilities. Affordable rent is defined as costing no more than 30% of a household’s total gross monthly income, subject to a minimum rent that tenants will be asked to pay based on the number of persons living in the home.

From Bad to Worse

Since 2001, there has been a radical change in BC’s provincial housing strategy. The government stopped funding new social housing for those in economic need when it ended the Provincial Housing Program. The program had built 8,000 units of affordable housing throughout the province. While it continues to fund housing for seniors and people with disabilities who require assisted living, the Province has largely abandoned low income households to the whims of the private market. Landlords may now increase rents annually at a rate of two percent more than the cost of living.¹³ Under BC Housing’s 2006/07 – 2008/09 Service Plan, the province wishes to “create the potential for redevelopment and conversion of social housing in keeping with the BC government’s housing priorities”. In what has been described as a “shell game”, the government also counts the same units as assisted living units, long-term care beds, and social



Opened in 1998, Bruce Eriksen Place provides 35 low income individuals with safe and affordable housing. Under current and proposed provincial housing policy, successful projects like Eriksen Place will no longer be built.

housing units. With the new service plan, the province now counts emergency shelter beds as part of its affordable housing stock.¹⁴

Recent published statements by the Minister Responsible for Housing suggest an increasing reliance on rental subsidies combined with a full retreat from funding social housing for low income people. Touted by the Minister as an innovation, this move will only aggravate the failure of the current housing strategy in providing affordable housing for low-income individuals and families.

The Illusion of Choice

Rental subsidies give an illusion of residential choice. Between an abysmal rental construction record and an extremely tight rental market, the only choice available to low income families and individuals is between substandard overcrowded housing and homelessness. While the GVRD has projected that the region will need to construct at least 3,525 rental units per year to 2021, only 415 rental units were built in the entire region in 2005. Over the last five years, an annual average of only 1,540 rental units have been built. Ironically, much of this new rental stock was built by non-profit developers – the same organizations who will lose support under the new Provincial scheme. The housing problem is a supply issue and rental subsidies will not



Opened in 2000, Ian Leman Place (above) provides affordable housing for low income aboriginal persons while The Chinese Benevolent Association Manor (below) provides housing for families and seniors in Chinatown.



increase the overall stock of affordable rental housing in Greater Vancouver.

Short Term Gain for Long Term Pain

While the initial costs of non-profit housing may be higher than rent supplements, in the long run, construction and maintenance of social housing is significantly cheaper. The primary motivation of the community agencies that operate social housing is to provide livable, safe, and affordable homes. Unlike private rental housing in which costs rise with the real estate market, non-profit social housing is focused on providing affordable housing with modest increases to cover operating expenses. A policy based on rent supplements fails to present the security of tenure to low income renters that is offered by bricks and mortar social housing. The construction of nonprofit social housing creates a community asset that will provide

affordable housing for years to come whērēās rēnt supplements leave the community with nothing.

Instead of helping those who cannot find housing in Vancouver's housing market, a strategy centered on rental assistance represents a windfall and government subsidy for private developers and slum lords. In a study for the University of Toronto's Centre for Urban and Community Research, Michael Shapcott showed that the projected 30-year cost of 500 private sector rent supplements for Ontario's lowest-income tenant households ranged from \$200 million- \$250 million, depending on location. In contrast, the projected 30-year cost of 750 mixed income social housing units (500 units with deep subsidies for the lowest-income households and 250 units with rents set at break-even levels) was between \$173 million and \$176 million. As Shapcott clearly proves rent supplements cost taxpayers more than building social housing units. Only landlords and their lobbyists benefit from such a program.

U.S. Rent Subsidies Increase Rents

Since the early 1980s, US housing policy has increasingly shifted towards what are widely known as Section 8 vouchers that supposedly allow tenants to rent in the private market. A study by New York University Professor Scott Sussin showed that rent subsidies actually increased rents.¹⁵ In the 90 biggest metropolitan areas in the US, vouchers raised rents by an average of 16%, a large effect consistent with low supply in the low quality rental housing market.

Numerically, this result implies that vouchers have caused a \$8.2 billion increase in the total rent paid by low-income non-recipients, while only providing a subsidy of \$5.8 billion to recipients, resulting in a net loss of \$2.4 billion to low-income households. Without rent supplements, landlords have to charge what the market can bear, but, with rent supplements, landlords increase their rents to take advantage of the windfall from government.

The stock of privately supplied affordable housing units can actually decrease as landlords increase their rents in response to a supplements-based program.

The oft-cited example of the US government demolishing a few of its public housing complexes in a series in spectacular implosions in the 1990s fails

In the U.S., housing policies highly dependent upon rent subsidies have increased rents for low income households.

to capture who was left in the dust.

In a study of the demolition of housing project in Philadelphia, some former tenants could only find housing that was more expensive than the housing that they were evicted from even with vouchers.¹⁶

Furthermore, voucher recipients were discriminated against by landlords when they looked for housing

outside of their former areas. In Chicago, most moved to high poverty, racially segregated neighbourhoods - not very different from the one they came from.¹⁷ In many cases across the United States, the pool of affordable housing has decreased as governments found it economically impossible to replace housing units that were demolished.¹⁸

Policy Alternatives

Solving Vancouver's affordable housing crisis will require an approach that needs the funding commitment, coordination and cooperation of Federal, Provincial, and City governments.

Invest in Bricks and Mortar Social Housing

Far from being a "failed social experiment", bricks and mortar social housing provides stable homes for individuals and families with low income. Initiatives like the Provincial Housing Program provide both infrastructure for the community and an asset for all British Columbians. It is abundantly clear that the private market has failed to provide adequate housing choices for all residents. Only continued investment in bricks and mortar housing and an expansion of supported housing by community groups will allow all British Columbians access to a safe and secure home.

Increase Income Assistance Rates

Increasing income assistance rates will allow low income individuals and families to achieve a level of dignity and housing tenure security. Clearly, \$510 a month is not enough to secure safe housing, eat nutritious food, and look for work. Welfare rates with the shelter portion need to be raised by at least 50%. Vancouver's Homeless Action Plan, approved unanimously by City Council in 2005, made similar recommendations for shelter rates.¹⁹ Increasing the buying power of low income households will allow tenants to generate economic activity in their neighbourhoods and facilitate property maintenance by landlords.

Conclusion

The withdrawal of provincial funding for brick and mortar social housing construction threatens the availability for safe and affordable housing. The affordable housing problem in Vancouver is not an issue of pricing but of supply. By pursuing a strategy that continues to build social housing units, stabilize and improve the SRO housing stock, and increase income assistance rates, British Columbia can finally begin to solve its affordable housing crisis. A housing policy based on a reliance on rental supplements for low income households and a withdrawal from the financing of social housing construction will only result in further erosion of the stock of affordable rental

housing. This type of housing policy can only cost British Columbian taxpayers more in the long run and create more homelessness for the years to come

Footnotes

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With nearly two dozen development applications in the area, the Downtown Eastside is threatened with rapid gentrification and residential displacement.

About the Carnegie Community Action Project (CCAP)

CCAP is a project of the Carnegie Community Centre Association, which is a non-profit society located in the Carnegie Community Centre. Through research, public education, advocacy and direct action, CCAP focuses

on issues that affect Vancouver's Downtown Eastside: Our focus includes housing, gentrification, and poverty. The association produces a very popular bimonthly local newsletter written by local residents.

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