

Intelligence MEMOS



From: Jennifer Y. Tsao
To: Hon. Christy Clark, Premier of British Columbia
Date: August 10, 2016
Re: HOW TO INCREASE AFFORDABLE RENTAL UNITS IN BC

On June 24th, BC Premier Christy Clark released a [video](#) proposing six principles to alleviate the affordable housing crisis in the Lower Mainland. One of the principles is to increase the supply of rental units available, especially in Vancouver.

Who is the likely target audience here? According to the 2011 [National Housing Survey](#) cited by CMHC, the Canada-wide rental rate is 31%, but the rental rate of households with incomes below \$20,000 is 60%. Although housing affordability is an issue for many in the Lower Mainland, this proposal is geared towards helping lower-income renters.

If that is the goal, two complementary issues should be considered:

Firstly, the government should consider ways it can strengthen the safety net for renters. For low-income households, rent is likely the largest expense. CMHC's definition of housing 'affordability' is that it cost no more than 30% of pre-tax income. According to an [index](#) compiled by the BC Non-Profit Housing Association, approximately a quarter of households in Greater Vancouver spend over 50% of their pre-tax income on rent and utilities. Not only is this well above the definition of 'affordability', but with a large proportion of disposable income committed to paying rent, these households are more financially susceptible to negative economic shocks.

Here, there may be room for low-income tenant insurance. A [paper](#) published by the U.S. Department of Housing and Urban Development suggests that the government could offer an insurance scheme whereby the tenant pays a small insurance premium to the government on top of their monthly rent. The insurance is used to pay the landlord a fixed amount for a set number of months when the renter encounters a shock – for instance, loss of employment – and is unable to make a payment. Upon being able to pay rent again, the government can then seek partial repayment from the tenant or increase the insurance rate. BC currently runs the [Rental Assistance Program](#) which provides a cash subsidy to low-income households. An insurance program would provide more benefit than direct cash disbursements because it can ease deposit requirements and reduce screening strictness in the low-income rental market between landlords and tenants.

Secondly, if they are built away from services, jobs, and infrastructure, new rental units may exacerbate the difficulties some people have, based on where they can afford to live, in improving their economic prospects. [Experience](#) suggests that over time, low-rent units can gradually retreat away from a city's business center. At the same time, as detailed in a C.D. Howe Institute [study](#) published last year, society benefits from the labour market pooling and knowledge dissemination that come from workers being able to easily access an urban area. Premier Clark's [proposal](#) of transit expansion therefore needs to be weaved into the concept of additional rental units.

Two days after the Premier's regulatory proposals, the federal government [announced](#) an investment of \$150 million towards affordable housing in BC. For many, this will provide welcome relief. But policy makers need to look at complementary policies that can provide an even stronger chance that these funds will truly help those it is supposed to assist, as well as benefit the broader economy.

Jennifer Y. Tsao is a Researcher at the C.D. Howe Institute