THE UNIVERSITY OF MELBOURNE

TAP TURNERS AND GAME CHANGERS:

LESSONS FOR MELBOURNE, VICTORIA AND AUSTRALIA FROM AFFORDABLE HOUSING SYSTEMS IN VANCOUVER, PORTLAND AND TORONTO

SEPTEMBER 2018

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TRANSFORMING HOUSING
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SUMMARY

This report is a sequel to a 2015 analysis of affordable housing systems (partnerships, policies and outcomes) in three comparable cities to Melbourne – Vancouver and Toronto, Canada and Portland, US. Three years after the initial report, divergence in affordable housing trajectories has intensified:

» **Vancouver** has created the most social and affordable housing, both new construction and renewed stock, in the past three years: ***about 15 times as much per capita as Melbourne***, with equally limited federal government support until the past year. Local and provincial government, investors, and non-profit developers have developed six integrated '***game-changers'***, which together are increasing capacity to scale up a viable non-speculative housing sector. Although outcomes are not yet meeting the needs of low and moderate income households, they show promise of growing suitable supportive, social and rental housing to the point where 'affordable housing for all' is more than a meaningless slogan.

» **Portland** has been able to scale up affordable housing for very low income residents, through imaginative use of new funding mechanisms. Housing affordability is better than the other cities in this study, although may primarily be due to unintentional and lasting impacts of the Global Financial Crisis, rather than local regulatory steering. In this report, we will be referring to four integrated ***tap turners*** that have increased capacity.

» **Toronto** has been unsuccessful in developing new social housing, and has lost considerable social housing, because of very poor leadership from local and provincial government.

The report concludes with **10 lessons** for the Victorian State Government (and local and federal governments, private developers, non-profit housing providers, investors and researchers) in three categories: evidence base, mechanisms, and partnerships.

Evidence Base

1

The Victorian State Government has already taken two vital first steps: a clear and shared ***definition of affordable housing***, including defining and prioritising the needs of ***very low (below 50% of AMI), low (50-80% AMI) and moderate (80-120%) income*** households; and stating, through the goals of its *Homes for Victorians* strategy, that it sees housing as a ***human right, not as a vehicle for speculative wealth generation;***

2

The next step is a transparent mechanism to develop accurate models of ***housing need*** broken down by income type and household size (including high income households). This modelling should also consider household type (single parent families, older women and men, young singles aging out of foster care, racialized communities such as indigenous people, people with disabilities and mental illness).

Targets and Mechanisms

3

Ambitious ***state-level housing and tenure diversity targets should be set,*** with the ***priority being very low income households in housing stress and at risk of homelessness*** (e.g. enabling the provision of 470,000 units of lower income housing over 10 years, to meet the current deficit and begin to address a population growth):

4

The State Government needs to provide ***spatialized targets for local government based on their infrastructure capacity***. The State Government should also work with local governments to ***publish transparent and accurate monitoring data online, including annual reports.*** It should require local governments to make public an online list of current public land holdings and also require all developers (private and non-profit) to make public online costings of any form of affordable housing receiving direct or indirect subsidy. The State Government should be prepared to ***link increased social and transport investment with meeting housing targets.***

5 The State Government should lease appropriate and well located ***public land for social housing, including scaling up modular housing for homeless people as an interim use***. The State Government should maximise the value of affordable housing subsidy and counter-balance housing speculation by ***directly investing in social housing infrastructure*** (including issuing bonds to finance affordable housing) and increasing the capacity of non-profits to provide mixed lower and moderate income developments on larger sites with a ***cross-subsidy model that ensures long-term viability with minimal government subsid***y. The State Government can ***guarantee construction loans and mortgages***; ***support the development of social investment institutions***; ***provide property tax and development charge exemptions for social housing***; and ***provide expedited approvals processes for social housin***g.

6 The State Government should promote ***scaling up a private market multi-family lower income rental and shared equity homeownership sector,*** through supply-side mechanisms such as ***loan guarantees in return for rent/cost guarantees, land tax exemptions, expedited approvals processes, and disallowing conversion of multi-family rental buildings to condominium.*** State government also needs to improve demand-side issues such as security of private market rental as a housing choice, through ***stronger rights to long term leases***; ***limiting annual rent increases***; and ***more strongly regulating 'rent eviction'***. The State Government should support ***accessory units*** (both 'laneway housing' and single family house subdivision) and ***3-4 storey apartment buildings*** in neighbourhoods with good infrastructure through ***disallowing single family housing zones*** in areas with good infrastructure.

7 State and local governments should prioritise curbing housing speculation and displacement of lower income residents from well-serviced areas through ***inclusionary zoning*** that dictates 20% housing affordable to those at 50% AMI for every new development with rent or house prices above moderate income affordability limits that are over 20 units (or land/cash in lieu of direct provision).

8 The Commonwealth and State governments should ***dampen excessive housing speculation*** driving housing unaffordability: Most direct levers belong to federal government issue (moving tax exemptions from negative gearing and capital gains tax exemptions to purpose-built multi-family rental and social housing). The state government should develop ***vacancy/ secondary dwelling taxes, luxury home taxes on properties valued at more than $1,000,000, and foreign ownership taxes***, and direct these new revenue streams into affordable housing.

Enabling Partnerships and Capacity Building

9 ***A Victorian Affordable Housing Agency:*** This would provide a clear State Government lead on developing and monitoring metropolitan and local targets, policy development and evaluation, coordination across multiple vertical levels of government (federal, state, local) and State government departments (including services for supportive housing, use of transport, education and health related surplus and lazy land). This could be a role for a re-purposed Victorian Planning Authority.

10 The State Government should provide ***capacity improvement for local governments to improve planning mechanisms***, social investors to increase funding for social and affordable housing (through ***matching funding***), encourage social housing providers to ***bundle assets and collaborate on bids for large sites***, and support ***a new generation of build to rent affordable housing private developers***.

TABLE OF CONTENTS

ACRONYMS AND DEFINITIONS USED IN THIS REPORT

Affordable Housing: Housing that is appropriately sized for the household, with secure tenure and in adequate maintenance, where the rent or mortgage plus utilities consumed no more than 30% of gross household income. In Victoria, this definition is applied at three different tranches of household income:

1. **Very Low Income Households**: Those earning less than 50% of AMI
2. **Low Income Households**: Those earning between 50-80% of AMI
3. **Moderate Income Households**: Those earning between 80-120% of AMI

Higher Income Households: Those earning over 120% AMI

Lower Income Households: Those earning less than 80% of AMI

AMI: Area Median Income, with the 'area' being defined as the metropolitan region or census equivalent

Median Middle: A measure used by the international research group Demographia, it is the median household income within a metropolitan region, divided by the median house price. They argue that a traditional mortgage calculator was that the purchase price of a dwelling should not exceed ***three times*** household income. While a useful comparable measure for ***homeownership affordability***, it does not reveal anything about lower income rental affordable housing.

Public Housing: Housing owned or managed by government, where rents are usually geared to household income

Community Housing: Housing owned by non-profit entities, usually rental but sometimes shared equity homeownership. Many offer rents geared to household income, and housing costs are usually subsidized in some way.

Co-operative Housing: In Canada, non-profit housing where rent (called housing charge) is set by residents, who self-manage the housing. There is no charge to become a member of the co-op and no retained value once the member moves out of the co-op. Some component (the proportion varies by the government program that helped establish the co-op) has subsidized housing charges, usually rent geared to household income. A subset of community housing.

Co-op: In Canada, refers to a particular co-operative housing project as well as the sector.

Social Housing: Public plus community housing, also known as non-profit housing

Regulated Rent: A US term that covers both social housing, and any privately provided rental housing covered by inclusionary zoning or other regulatory arrangements for a deed-restricted rent that is affordable to lower or moderate income households.

Community Land Trust: A non-profit entity that develops and maintains affordable housing and other community assets, usually owning the land underneath the development.

Shared Equity Homeownership: An arrangement wherein an organisation shares ownership of land and buildings with individual households. In the US, the household buys a share of their property at a below-market price, and then re-sells their share at a below-market price, with a NP organisation retaining their share throughout. In Australia, some shared equity schemes have been provided by private developers, with the ability to re-sell at market prices.

NP: Non-profit (usually used in relation to a housing provider, in this report)

NRAS: National Rental Affordability Scheme (Australia)

SHI: Social Housing Initiative (Australia)

Inclusionary Zoning: Government regulation which requires developers to provide either a proportion of the total dwellings they develop at a regulated rent or purchase price, or provide land and/or money towards affordable housing in lieu of direct provision.

Luxury Housing: Housing that is not affordable to lower or moderate income households. In Melbourne, a price point of $1 million is used, which is 12.5 median multiplier and a standard definition in the US.

Naturally Occurring Affordable Housing (NOAH): Private sector housing, often rental, that has been created and maintained without any government subsidy (but is often maintained through regulatory measures, such as preventing converting to private ownership). Vancouver, Portland and Toronto are all looking at measures to preserve these dwellings.

CMHC: Canada Mortgage and Housing Corporation, Canada's national housing agency.

BC: British Columbia, one of 11 provinces in Canada, whose biggest city is Vancouver

CHFBC: Co-operative Housing Federation of BC, the industry association for non-profit self-managed housing in BC.

BCNPHA: BC Non-Profit Housing Association, the industry association representing all community housing providers in BC.

Missing Middle: Informants in Vancouver, Portland and Toronto used this phrase in two different ways. The first is an increasing emphasis on the affordable housing needs of moderate income households, who are largely locked out of the speculative homeownership market and increasingly finding well-located rental property difficult to access. The second is locational: creating affordable housing in middle suburbs with good access to public transportation, jobs and services, but which have been locked out of redevelopment by restrictive zoning.

VAHA: Vancouver Affordable Housing Agency

LIHTC: Low Income Housing Tax Credit, a US program that provides tax credits in return for affordable rental provision, usually at a rent set at 30% of a household income as a proportion of AMI, such as 60%).

Section 8: US term for rent assistance to lower income households. Can be provided to households or also allocated to units in social housing.

GTA: Greater Toronto Area

US-CANADA POLITICS TRANSLATION GUIDE FOR AUSTRALIANS

Because, as discussed in this report, housing policy has often swung wildly depending on the political party in power (at the national, state/provincial and local levels), and political parties are different in each country (and sometimes different regionally), a brief guide is provided.

CANADA

Conservative Party: Federally in Canada and in Ontario, considered the major right of centre party (continues to be called the Progressive Conservative Party in Ontario, although the federal name changed 20 years ago). Federally, the government from 1984-1993 and 2006-2015. In Ontario, it formed government from 1995-2003 and is the government as of June 2018. While political parties do not formally operate in Toronto and Vancouver, politicians associated with the Conservative Party were Toronto mayors from 1998 to 2003 and from 2010-present.

Liberal Party: Federally in Canada and in Ontario, considered the major left of centre party. In BC, it has been considered the right of centre party since the collapse of the Western Canada-based Social Credit Party in the 1990s. The Liberals formed the BC government from 2001-17. At the federal level, the Liberals formed the federal government for 36 of the last 55 years: from 1963-79, from 1980-84, from 1993-2006, and from 2015 to present. In Ontario, it formed government 1985-90 and 2003-18. The Vancouver mayor was Liberal-affiliated from 1987-2002 and 2005-08.

NDP: The New Democratic Party, a left-wing (democratic socialist) Canadian party. It has never formed a federal government in Canada, although it was part of a Liberal minority government coalition 1972-74. It formed a provincial government in Ontario 1990-95 and has formed several provincial governments in BC, from 1991-2001 and again (a minority government with Greens support) as of 2017. NDP-affiliated politicians were Toronto mayors from 1994-97 and 2004-10. The Vancouver mayor has been from an environmentalist party affiliated with the Greens since 2008.

US

Republican Party: The right-wing party in the US.

Democrat Party: the left of centre party in the US.

In the US, the President is directly elected (as opposed to in Canada and Australia, where the Prime Minister is chosen by the party with the most seats in Parliament). The US Congress, like the Parliaments in Canada and Australia, has two houses: the Senate (same term in all three countries) and the House of Representatives. From 1981 to 1993, the Presidents were Republican but either the Senate or both houses were Democrat-controlled. From 1993 to 2001, the President was a Democrat but for most of that period, the Congress was Republican-controlled. This counter-balance led to generally centre-right neoliberal policies. From 2001 to 2007, the President and the Congress were Republican, which led to a rapid move to the right. Although the Congress went Democrat in 2007, followed by a Democrat President in 2009, the counter-balance was restored by 2011, when Republicans won control of the House of Representatives. In 2017, a Republican President and Congress were elected, again leading to a right-wing consensus at the federal level.

In contrast, Oregon and Portland have been dominated by Democrats. Mayors of Portland have been Democrats since 1980 (with one left wing independent associated with that party from 1985-92). Governors of Portland have been Democrats since 1987, and although the Legislative Assembly has had a Republican majority at times in the 1990s, both houses have been under Democratic control since 2012. There is thus a left-of-centre consensus in Oregon.

1.

INTRODUCTION:
THE DIFFERENCE PARTNERSHIPS MAKE

Transforming Housing: what do we do?

Systems don't change until people intentionally change them

(Stephanie Allen, Catalyst non-profit housing development, Vancouver).

Since March 2013, the Transforming Housing Research Network has been dedicated to ***increasing the amount, location and quality of affordable housing in metropolitan Melbourne***. The work has been led by researchers in urban planning, property development and architecture at the Melbourne School of Design at the University of Melbourne, working with researchers in geography, economics, public health and civil engineering.

The four objectives of our research have been:

1. Policy reform, development and advocacy
2. Innovative project development, delivery support and evaluation
3. Industry capacity building
4. Research capacity building, embedded action research, research dissemination and influence

Transforming Housing has received support, over the past five years, from a range ***of key housing actors***, including:

» the Victorian state government: the Parliament of Victoria; Places Victoria [now Development Victoria], the public land development authority; the Metropolitan Planning Authority [now the Victorian Planning Authority], the new suburb and urban renewal advisory authority; and the Department of Environment, Water, Land, and Planning

» Local government: the City of Melbourne, comprising the inner-most of 32 local governments in metropolitan Melbourne; and the City of Port Philip, the local authority immediately south of central Melbourne

» Philanthropic investors: the Lord Mayors Charitable Foundation, a community foundation that works to connect people, ideas and funding to create positive social change and address Melbourne's future needs – our major funder since 2016

» Non-profit housing developers and providers: the Brotherhood of St. Laurence, which undertakes programs and research to address poverty in Australia; Launch Housing, a Melbourne-based provider of housing and homelessness services; and Melbourne City Mission, a service provider to low income individuals and households

» Private sector housing developers: the Urban Development Institute (Victorian chapter); and the Property Council of Australia (Victorian division); both industry bodies; and Australand [now Frasers], a major property development firm.

We have also received advice from some of the leading thinkers in Victoria, including MGS Architects, one of the most

respected designers of affordable housing in Australia; and SGS Economics and Planning, one of the most respected policy consultancies in Australia.

Over the past year, the research network has emphasized policy reform, arising from the development of Melbourne's latest metropolitan strategy (*Plan Melbourne*) and Victoria's first integrated Affordable Housing Strategy (*Homes for Victorians*), both of which were informed by Transforming Housing's previous policy research. Our projects have included:

» Convening a second Affordable Housing Summit in June 2017 (the first was in May 2015) to determine action research priorities for the project;

» Working with the Lord Mayor's Charitable Foundation to develop the Affordable Housing Challenge, a replicable and scalable affordable housing project supported by local government and social investment;

» Supporting and documenting another innovative and scale-able project, the Melbourne Apartment Project, which provides shared-equity homeownership options for former public housing tenants;

» Reviewing the current state of affordable housing need in Victoria and measures taken by state governments across Australia to improve outcomes – summarized in this report for the Victorian State Parliament

» Undertaking research on how various government bodies around the world define affordable housing, calculate affordable housing need, determine suitable locations for affordable housing, and use government land to maximise affordable housing benefit – summarized in this report

» Convening a workshop and undertaking research on how various international jurisdictions are maximising the benefits of public housing renewal and management transfer.

The Affordable Housing Crisis in Greater Melbourne

Transforming Housing is responding to an ***affordable housing crisis*** within metropolitan Melbourne, similar to crises in many large and growing cities across Australia and around in the world. The standard understanding of ***housing affordability*** has been that rent or mortgage plus utilities should consume no more than 30% of a household's gross income, particularly for lower income households (often calculated as the lower two quintiles of median household income within a metropolitan region). More recently, an international comparative measure, called the ***median multiple***, is used to compare housing affordability. This is the median income of a metropolitan area, divided by median house price. While this is a useful measure for ownership affordability, it tells us little about affordable rental housing or the stock of housing for lower income households.

Lower income households spending more than 30% of gross income on housing-related costs are considered to be in ***housing stress***, with households spending more than 50% are considered to be in ***extreme housing stress***. In this report, we use the ***affordable housing*** definitions recently adopted by the Victorian State government, influenced by our research, which uses the standard definition of affordability, as well as including appropriacy elements (housing must have adequate number of bedrooms and be habitable). The emphasis is housing needs for **very low income households** earning less than 50% of AMI, **low income households** earning between 50 and 80% of income, and to a lesser extent, **moderate income households** earning between 80-120% of income.

A general mortgage lending guideline has been that **the price of a dwelling should not be more than three times the household's annual income**. The median multiple has increased from 4.7 in 2000 to 9.9 in 2018, well above levels that the average household can afford.

TABLE 1. HOUSEHOLD INCOME CATEGORIES, INDICATIVE AFFORDABLE RENTS/DWELLING PRICES, GREATER MELBOURNE

Household income category	Income/week $ (family)	Approximate % population	Affordable rent/week $	Affordable dwelling purchase price $
Very low (0-50% AMI)	0-771	25	0-231	0-120,276
Low (50-80%)	772-1,233	19	231-370	120,277-192,442
Moderate (80-120%)	1,234-1,850	20	371-555	192,443-288,662
Higher (120+)	1,851+	36	556+	288,662+

Sources: Palm, Raynor and Whitzman (2018), Tables 1-2 break down information by household size.

As Table 1 suggests, affordable dwelling purchase prices bear no resemblance to any units available in Greater Melbourne, where the median unit price is well over $700,000. Median rents are currently affordable to most moderate income households, at about $420/ week (whether they are available, in a 1% vacancy rate, is another issue, particularly for lower income households). ***This data also suggests that trying to improve the affordability, size and location of rental homes, as well as their tenure security, may be a better policy choice than trying to decrease housing prices to the point where they could become affordable to the majority of Melburnians.***

Increasing unaffordability of homeownership, as well as declining job security, has led to a ***shift from homeownership to rental***. A recent Transforming Housing report for the Victorian State Parliament summarises these trends. In 2006, 33.1% of households owned their own homes outright (with no mortgage), and 24.3% of households rented. Ten years later, there was a 4% decline in fully owned homes – 29%- and a corresponding increase in renting households – 28.8%. This decline is particularly apparent for young people. Between 1982 and 2013, the share of homeowners aged 25-34 shrunk by more than 20%, and that age cohort is now more likely to rent than own a home. Rates of young adults remaining in the family home have also increased from the 2006 to the 2016 census, as did the number of unrelated young adults sharing dwellings, and even sharing rooms.

Increased pressure in the rental market has been exacerbated by the absence of a build-to-rent private market housing sector. In Greater Melbourne, median weekly rent increased by 75% between 2006 and 2016 – almost double the rate of median personal income. In 2005, 28% of available rental properties were considered affordable to the lowest 40% of incomes. By 2017, only 6.6% were considered affordable. As the May 2018 update of the Rental Affordability Index makes clear, for very low income households – pensioners, individuals on Newstart allowance (the main unemployment benefit), single parents on benefits – there is virtually no affordable housing available to them within metropolitan Melbourne. ***Social housing*** – comprising ***public housing*** owned by the state government as well as ***community housing*** provided by non-profits – make up only 3.2% of the housing stock. It is thus unsurprising that ***homelessness*** – including people living in extremely overcrowded or temporary accommodation, as well as those sleeping outdoors- has increased by 11.3% between the 2011 and 2016 census.

The Australian Government estimates that 142,685 lower income renter households in Victoria were in housing stress in 2015/16. Building on recent work by Infrastructure Victoria and the Department of Health and Human Services as well as methods of calculating affordable housing shortage used in other jurisdictions (some of which will be discussed in this report), ***we have calculated a deficit of 164,000 affordable housing units in Victoria for lower income households, with over 90% of the deficit in Greater Melbourne.***

This is a deficit for the existing population. Greater Melbourne is growing by more than 2% per annum. Plan Melbourne projects a need for 1.6 million new homes in the next 35 years. That is 46,000 homes a year, almost 30,000 of which would need to be affordable to those earning 0-120% of AMI. So to redress the affordable housing deficit and meet the needs of a growing population, the State Government would need a **housing target of 47,000 units a year of affordable housing aimed at very low, low and moderate income Victorians.**

Deliberative Planning Partnerships for Affordable Housing: the roles of government, the private sector and non-profits

Throughout this work, we have undertaken a ***deliberative planning*** approach based in partnership-building. We draw on a body of work that argues that in order to develop more effective and sustainable ways to conduct policy, a ***diverse and interdependent set*** of participants need to ***learn together and build an evidence base***, build ***common understandings***, ***honestly agree and disagree***, ***co-develop a course of action that is sustainable beyond electoral cycles***, and ***collectively take responsibility for results*** (Healey, 1997; Forester, 1999; Innes and Booher, 2010). There are many valid critiques of deliberative planning: that it papers over power imbalances, and can be less effective than agonistic or advocacy approaches (Mouffe, 2000; Allmendinger and Haughton, 2012). However, our previous research has indicated that ***the current poorly integrated affordable housing system in metropolitan Melbourne*** - characterised by tensions within and between scales of government, very weak policy that ignores available evidence, a lack of consensus over fairly basic starting points such as the definition of affordable housing and the quantum of need, and a highly politicized system that has seen a new 30 year metropolitan strategy developed with every change in state government since 1995- ***has been a major contributory factor to the affordable housing crisis***. We can and must do better.

In order to understand the necessity for affordable housing partnerships, we need to provide a brief overview of some of the key actors and their roles, as well as the current affordable housing system context. In Australia, as is the case in Canada and the US, ***direct provision*** of affordable housing through public housing construction and ownership has never been a large component of the housing stock, as opposed to countries in Northern Europe such as England, Scotland, Sweden or the Netherlands, or Asian city-states. The proportion of public housing, or even subsidized social housing, has never been more than 10% of the total housing stock in any of these three countries.

In Australia, as in other countries, there has been a move to market-based solutions, associated with ***neo-liberal*** belief that these ideas are more innovative and sustainable. Neo-liberalism has moved governments away from basic provision of both infrastructure and services by governments, towards working in ***public-private partnerships***. These often engage multiple levels of government as well as non-profit and private partnerships in a networked approach to governance. Research on these partnerships suggest that governments must provide ***strong steering*** through grants and contracts, which in turn require an understanding of aims, targets, and preferred mechanisms informing contracts. The problem is that public sector organisations have often been ***'hollowed out'*** of policy officers who know how to develop and manage partnerships (Milward and Provan, 2000). To give the example of affordable housing, as public housing construction decreases, and policy interest wanes, governments often lay off staff who are experienced in the economics of construction management or ways to calculate affordable housing need. As funding programs for social housing end, non-profit developers lay off staff who are experienced in providing social housing on time and within budget. Conversely, affordable housing systems that provide long-term policy, backed by stable infrastructure funding over decades, attract and retain good staff.

These are three groups of actors in affordable housing networks and systems: ***government***, the ***private sector*** and ***non-profit*** organisations.

NATIONAL GOVERNMENT

In all three countries, the ***national government*** has the greatest influence on affordable housing provision, through direct investment in affordable housing construction and rent/ ownership subsidies, indirect investment through tax subsidy, and other mechanisms including foreign investment regulation and immigration policy. In Australia, the Commonwealth government collects almost 80% of total tax revenue, with the state governments collecting almost 17% (and also obtaining money through tax transfers from the Commonwealth government), and local governments collecting about 3.5%. National government policy in all three countries overwhelmingly benefits homeowners over renters, and supports ***housing as a source of speculative wealth generation (rather than housing as an essential social need)***.

In Australia, housing investors (including those who own multiple properties) collectively obtain about $11.7 billion annually in tax relief because of ***capital gains tax exemptions on property sales*** and ***negative gearing exemptions on investment losses***. These tax exemptions, which primarily aid the wealthy, are an important factor in housing speculation. Housing speculation, in turn, leads to the cost of housing outstripping wages and the development of two classes of households: those benefiting from wealth creation through housing, and those households locked out of that market. Tax exemption policies promoting wealth creation through housing speculation result in lost revenue that might more productively go into infrastructure investment in housing, transport, and social/ health services.

The foregone revenue from homeowner tax exemptions is considerably greater than the amount directly spent by the Commonwealth, state and territory governments combined on social housing and homelessness services: $4.7 billion in 2016/17, which comprises 2.1% of total government expenditure. The majority of this cost is borne by state governments, with only $1.5 billion committed by the federal government in 2018/19.

The Commonwealth government also provides $4.4 billion on ***Commonwealth Rent Assistance***, a subsidy provided to low income households that assists them to rent in the private market. However, the subsidy has not kept pace with inflation and does not cover the gap between market rent and an affordable rent for lower income households in most Australian capital cities. Rent assistance also does not address the severe shortage of affordable housing dwellings available for rent.

Australia did have two affordable housing programs in the last 10 years, although both were terminated after the current Coalition government was elected in 2013. The Social Housing Initiative (SHI) was part of a larger economic stimulus package delivered in response to the Global Financial Crisis of 2007/08. The Commonwealth government provided funding of $5.638 billion to the SHI over three and a half years (2008-09 to 2011-12), mostly to new construction. The short-term program provided 19,700 new social housing dwellings, as well as keeping 12,000 existing social housing dwellings inhabitable through repairs and maintenance. It also resulted in 14,000 full time equivalent construction jobs. Despite a favourable evaluation by external consultants, the program was not continued by the current government.

Victoria only received 22% of funding from this program, despite comprising almost 26% of the nation's population***. Still, if the program had continued over the seven years to the present, this program might have resulted in approximately 10,000 new and a further 6,000 renovated social housing dwellings in Greater Melbourne, a yield 300% higher than current Victorian social housing targets of 4,700 dwellings over five years.***

Another housing program associated with the national economic stimulus package was the National Rental Affordability Scheme (NRAS). This program had a longer life: introduced like the SHI in 2008, it was discontinued in 2014. The aim of

the program was to stimulate the construction of new affordable rental units, including apartments as well as houses. The units were aimed at moderate income households, with both minimum and maximum income requirements. A 10 year subsidy was provided by government so that units would be available at 80% of area median rents. The Commonwealth, state and territory governments provided initial joint funding of $622.6 million from 2008-2012 for this program, although the Australian government later costed the program at $6 billion. Despite falling short of its target of 50,000 rental dwellings in four years, the program delivered 27,603 dwellings with a further 9,980 to be delivered, by June 2015. According to Table 4 of this report, only 16% of these units were constructed in Victoria, due to absence of 'shovel ready' project bids from Greater Melbourne.

Evaluations of government programs, including NRAS and SHI, suggest that ***the longer a program is in place, the more efficient and effective it is***. A good example discussed in this report is the US Low Income Housing Tax Credit (LIHTC), introduced in 1986, responsible for 3 million affordable dwellings over three decades. Negative gearing has been in place in Australia since 1985. The absence of long-term affordable housing policies and programs at the national level has made partnerships with this level of government difficult, despite its importance.

> *The LIHTC was predictable. So we built an affordable housing sector around it because it didn't go away.*
>
> (Andy Broderick, social investor in Vancouver; previously a social housing developer in Vermont, US)

STATE GOVERNMENT

In most of Australia and Canada, urban and regional planning policy is developed by the second tier of government (this second tier is called ***state government*** in Australia and the US, and ***provincial government*** in Canada). Vancouver and Portland are unusual in that they have a ***metropolitan*** level of government that is responsible for planning the city-region. Planning for affordable housing in proximity to transport, employment and services has been recognised as critical to metropolitan and regional economic prosperity, population health and environmental sustainability (reducing pollution and urban sprawl). In recognition of the critical nature of housing affordability to economic, social and environmental welfare of citizens, the Victorian State Government has recently included "the provision of affordable housing" as an objective of its *Planning and Environment Act.* Planning policy mechanisms include ***setting targets***, such as mandating numbers of new dwelling units in a local government area or proportion of new units that are affordable to lower income households. The Victorian State Government has not set affordable housing targets for local governments, but it has mandated new sub-regions in Greater Melbourne to do so in *Plan Melbourne*. There is an overall ***target of 4,700 new or renovated social housing units*** over the five year period 2017-22 in *Homes for Victorians*.

One way to meet affordable housing targets are sometimes facilitated through ***Inclusionary Zoning***, which requires developers to provide either a proportion of the units they develop at a set rent or purchase price, or provide either land or money towards affordability housing in lieu of direct provision. The Victorian State Government has introduced a voluntary pilot inclusionary zoning trial on government land that is intended to produce 100 new social housing units by 2022.

The Victorian State Government also directly manages ***public housing*** stock – almost 63,000 units in the state. The Victorian Auditor General's Office has identified absence of sustainable long-term direction and financing as a factor in the net loss of public housing stock in the last 10 years. It has also warned that the aging nature of these dwellings – built an average of 35 years ago and poorly maintained – means that substantial new investment is necessary. The state government has responded by ***transferring stock*** to non-profit organisations such as Aboriginal Housing Victoria, and ***selling off public land*** to private developers in return for a minimum 10% uplift in social housing dwelling units as part of redevelopment.

State government is also responsible for laws governing ***renters' rights***. Greater Melbourne has a rapidly increasing proportion of renter households, and renters are more likely than owners to be in housing stress. Australia has some of the weakest laws protecting renters in the world, in terms of protection against rent increases that vastly outpace increases in wages, promoting tenure rights, and prosecuting practices such as asking tenants to pay rents much higher than the advertised price. In some places, this work is done by local government. As discussed in this report, Portland is a city that through its planning mechanisms, seeks to maintain rental stock by limiting conversions of existing rental buildings to condominiums. Portland and Vancouver are also exploring limiting rent increases to annual inflation rates. Although these regulations are enacted by the local level of government, the permission to enact this legislation, like the permission to enact inclusionary zoning, comes from the state government. The Victorian State Government has recently adopted legislation to only allow rent increases every 12 months, instead of six months; to limit landlords 'bidding' for rents; to make it easier to allow pets; and to limit grounds for evictions.

Design regulations can affect the price of new and existing housing, as well as their longer term management costs and suitability to an aging population. While Australia has a National Energy Ratings System, it is the state government through their Buildings Codes that enforce minimum energy ratings. While this can add to costs of construction, it can also decrease energy costs of the life of a building. Similarly, there are national universal access standards for people with disability, but the state government is responsible for enforcing, or otherwise encouraging, minimum access standards. The Victorian State Government has signalled its intention towards mandatory, as opposed to voluntary, minimum access standards.

While all levels of government own suitably located and zoned ***land for affordable housing***, it is often state government that has the most and best land for this use. Surplus property, whether it be former schools, hospitals, or road allowances, can be leased or sold at low or no cost, either to the state's own housing development agency or to private or non-profit developers, in return for an expected number of affordable housing units. The Victorian State Government is currently using this mechanism in its public housing renewal and inclusionary zoning pilots. It has also leased land on a road allowance to the non-profit housing provider Launch for 'temporary' housing for homeless people on a five year lease.

State government has much more limited tax levers than national government. But it can provide ***direct funding*** and also ***guarantee loans and mortgages***. It can borrow money from institutional lenders and offer ***bonds to finance affordable housing construction,*** as is the case in Oregon. It can also offer ***tax rebates*** and other incentives. In this report, we will discuss the critical role of the British Columbian [BC] Government in supporting social housing over the past 20 years through these mechanisms. ***The Victorian State Government has committed $1 billion in direct funding and another $1 billion in loan guarantees over five years to support social housing in Homes for Victorians.*** It has also provided stamp duty exemptions and concessions to first time home buyers purchasing lower cost dwellings, with stamp duty being a tax applied to land transfers.

Finally, the Victorian State Government provides ***homelessness services***, including short-term shelters and assistance in finding private rental housing, and also funds services attached to housing for low income people with mental health issues and/or disabilities.

LOCAL GOVERNMENT

In Canada, the US and Australia, ***local governments*** are a relatively powerless third tier of government. They can be provided with additional powers by higher levels of government. The City of Vancouver is allowed to take on debt, charge special taxes such as development charges, and give grants due to a special act of the BC government. The Oregon State Government and Ontario Provincial Government have recently allowed local governments (including Portland and Toronto respectively) to mandate inclusionary zoning, and Oregon has also allowed local governments to issue bonds for affordable housing construction.

Local governments are usually charged with planning decision-making. ***Local zoning decisions*** have an impact on the amount of multi-unit buildings or smaller dwellings that can be constructed in well-located areas with good infrastructure. Addressing development uncertainties (***fast tracking*** development by waiving ***third party objections*** from neighbours of new developments that may delay or stop development), ***waiving development charges or property taxes (called 'council rates' in Australia)***, and providing government land are all mechanisms that have been used by some of the 32 local governments within Greater Melbourne. In Greater Melbourne, the City of Port Phillip, a local government just south of the central city, has provided an exemplary model over the past two decades.

Vancouver and Portland have gone well beyond traditional local government responsibilities to become ***leaders in affordable housing policy and delivery.*** In doing so, they have trialled ***innovative approaches*** that have then ***scaled up*** to second tier and national governments.

PRIVATE SECTOR DEVELOPERS

Private sector developers deliver the vast majority of new housing stock – over 95%- in Australia, Canada and the US. Most of that housing stock is built for individual buyers, comprising both people buying houses as primary residents and Australian-based and international investors. As discussed above, governments provide both ***incentives*** to support affordable housing supply, and ***regulations*** to shape the nature of housing supply. In Australia, incentives are much more commonly used than regulations or requirements. The majority of NRAS subsidy went to private developers. Private developers have also taken the lead in redeveloping public housing in Melbourne (as in Toronto, but not in Vancouver), in return for well-located government owned land on which they can erect luxury housing, by which is meant housing that is not affordable to lower and moderate income households. Private developers are also the main target of the voluntary inclusionary zoning pilot in Victoria. Architects and construction companies are two other examples of private sector contributors to affordable housing.

NON-PROFIT HOUSING PROVIDERS AND ADVOCATES

Non-profit housing providers are a small part of the overall housing system in Australia, although they are increasingly important actors in affordable housing delivery and management. They were active in the SHI and NRAS schemes, and have also worked with private developers in public housing renewal and are expected to work with developers in the inclusionary zoning pilot.

Advocates for affordable housing can include representatives from anti-poverty organisations, local government officers, and philanthropic organisations. They rarely have continuing and sustainable funding and are most effective when they form larger coalitions to engage the general public as well as their core constituency of lower income individuals and families.

INSTITUTIONAL INVESTORS

Institutional investors, such as banks and retirement savings funds, hold enormous amounts of capital on behalf of individuals and companies, far more than national governments. For instance, superannuation funds (the term for retirement savings funds in Australia) hold $2.6 trillion in assets. NRAS was intended to unlock some of that institutional investment, but as discussed above, the lesson from the Low Income Housing Tax Credit in the US is that it takes at least a decade of consistent policy and programs before risk is felt to be at acceptable levels for many large investors. There is a growing philanthropic or social investment sector in Australia, the US and Canada, but it is still a much smaller sector, comprising a total of well under $1 billion.

To conclude, providing housing for low income people well below market rents requires a range of reinforcing measures from all levels of government. These include: ***development finance*** (provided directly by government and/or indirectly through an incentive such as a tax subsidy), ***rent subsidy*** (directly through funding to a housing provider, or indirectly through a portable housing allowance), ***supportive regulation*** (such as inclusionary zoning, rent control and affordable housing targets) and sometimes ***design innovation*** (usually through incentives but sometimes regulated e.g, energy efficient buildings or universal access). To give the example of the Launch Housing social housing project in western Melbourne, subsidy is provided by a philanthropic investor and state government; land has been leased for minimal cost by the state government; planning approvals have been facilitated by a local government; and design innovation through portable modular housing has been provided by an architecture firm. The housing has been developed and will be managed by a non-profit organisation. Layering multiple sources of funding, negotiating regulation of various levels of government, and providing inexpensive but excellent design, requires sophisticated understanding of a complex system. Partnerships assist in mutual learning and also in shaping an opaque and constantly changing landscape of barriers and enablers to affordable housing.

Learning from Affordable Housing Partnerships in Comparable Cities

Transforming Housing's initial research suggested that good practices from elsewhere were not necessarily known by Melbourne decision-makers, whether they be government policy makers, private or non-profit housing providers, or investors. We therefore organised a study tour in March 2014, with a private developer, local government planner and non-profit housing provider as co-researchers. We met with over 50 affordable housing actors in San Francisco, Portland and Vancouver, three cities with similar housing affordability issues to Melbourne who were identified in the literature and/or by activists and researchers in these three cities as having innovative affordable housing programs.

In February-March 2015, the Transforming Housing lead researcher, Professor Carolyn Whitzman, returned to Portland and Vancouver in order to further investigate affordable housing partnerships in those two cities. I also travelled to Toronto and interviewed key affordable housing actors in Melbourne. I interviewed a total of 30 affordable housing actors in these four cities (see Table 2).

TABLE 2. 2015 AND 2018 INTERVIEWS

	2015	2018
Melbourne	State government- planning	State government- planning (1)
		State government- housing (2)
	Local government- housing	Local government – housing (1)
	Private development industry body	
	Private developer	Private developer (1)
	Non-profit developer	Non-profit developer
	Investor – institutional	Investor- institutional
	Investor- philanthropic	Investor- philanthropic (1)
Toronto	Provincial government- housing	Provincial government – housing (1)
	Local government- planning	
	Local government- housing	Local government- housing
	Private developer	Private developer (3)
	Non-profit housing provider 1	Non-profit housing industry body
	Non-profit housing provider 2	
	Investor- social	Investor – social (1)
	Partnership convenor	Partnership convenor (3)
Vancouver	Provincial government- housing	Provincial government – housing (1)
	Metro government- housing	
	Local government- housing	Local government- housing (1)
	Private development industry body	
	Non-profit housing provider	Non-profit housing industry body
		Non-profit housing provider
	Investor- social	Investor – social (1)
	Investor- philanthropic	
Portland	County government- housing	County government– housing (1)
	Local government- housing	Local government- housing (1)
	Private developer	
	Non-profit housing provider 1	Non-profit housing provider 1 (1)
	Non-profit housing provider 2	Non-profit housing provider 2
	Investor- institutional	
	Investor- philanthropic	Investor- philanthropic (1)

(1) Same person and organisation as 2015; (2) same person, different organisation; (3) same organisation, different person

The reason for this study design was an initial hypothesis that ***Portland and Vancouver, both with a long and continuing tradition of metropolitan government, might be better at building consensus around affordable housing policy linked to transport and other infrastructure planning than Melbourne and Toronto, two cities whose metropolitan governance ended during the 1990s***. All four cities are a similar population size: between 2.5 million and 6 million – big cities, but not one of the world's 31 ***megacities*** of over 10 million. All four cities have strong histories of homeownership and were generally dominated by low rise single occupancy houses until the 1970s. All four cities have strong economic and population growth, although Melbourne's population growth rate is higher than Toronto, Vancouver, and Portland. None of the three nations (Australia, Canada, the United States) have a strong history of social housing provision, unlike much of Northern Europe (including England, Scotland, the Netherlands, or Sweden) and many cities in Asia, such as Singapore and Hong Kong. All four cities have roughly comparable incomes. Most importantly, all four cities have severe housing affordability issues (see Table 3), although Portland appears to have the best affordability outcomes.

TABLE 3. COMPARATIVE STATISTICS FOR MELBOURNE, TORONTO, VANCOUVER AND PORTLAND

	Melbourne	Toronto	Vancouver	Portland
Metropolitan population	4,485,211 (2016 census)	5,928,040 (2016 census)	2,463,431 (2016 census)	2,389,228 (2015 census)
Annual population growth rate	2.7% (2016-17)	1.9% (2016-17)	1.1% (2016-17)	1.2% (2017-18)
Central local government population	128,963 (2015) – less than 3% of Greater Melbourne population	2,731,571 (2016 census) – 46% of metro population	631,486 (2016 census) – 26% of metro population	647,805 (2017 census estimate) – 27% of metro population
Median household income	$80,184 AUD (2016) - incomes are equivalent with other cities, given currency exchange rates	$78,280 CND (family income – 2016 census)	$79,930 CND (family income – 2016 census)	$68,676 USD (2016) [$88,662 CND, $93,530 AUD]
Median unit price	$720,433 AUD (houses and apartments – 2018)	$782,129 CND (houses and apartments- 2017)	$1,087,500 CND (houses and apts-2018)	$425,500 USD (houses and apts – 2018)
Median rent	$1,800/month AUD (rents are weekly in Australia, 4.3X multiplier - 2018)	$2,020/month 1 br; $2,520 2 br (CND 2018)	$2,000/ month 1 br; $3,200/month 2 br (CND 2018)	$1,158 USD
Proportion of social housing	3.5% in Victoria (2017)	7% subsidized housing City of Toronto (2017)	8.2% social (non-market) housing City of Vancouver (2017)	12% rent regulated Metro (2017)
Amount of social and below market rental housing built 2015-18; comparison with 2010-14	2,668/5,700,000 Total 2014-15, 2015-16, 2016-17: 2,668 non-profit units acquired across Victoria for 5.7 million people, including NRAS below market but not necessarily affordable units. Net loss of 581 public housing units 2006-16 but gain of 9,593 community housing units over these 10 years, about 2/3 of which were NRAS below market, not suitable for lower income households.	< 200/2,500,000 1,200 units of purpose-built rental have been approved in 2017 for 2.5 million people, but they require a household income of $52,000 to be affordable, so 66% AMI; net loss of 1,000 public housing units in past 5 years	4,700/650,000 (15X as much social/affordable housing as Melbourne) 2,200 new supportive and social housing units 2016-2017 in the two years since the new strategy commenced plus 2,500 purpose-built below market rental for 650,000 people; 1,846 supportive housing units, 1,607 social housing units, and 3,783 below market rental units City of Vancouver 2012-2015	1,848/650,000 (6X as much social/ affordable housing as Melbourne) 1,498 permanent supportive housing units facilitated 2015-17 plus 350 new rent-regulated units produced; 691 combined rent-regulated and supportive housing units 2011-14

The 2015 Affordable Housing Partnership report described three very different levels of collaboration, which appeared linked to affordable housing outcomes. In Vancouver, collaboration between local, metropolitan and provincial (state) government, investors, private and non-profit housing and service providers was demonstrated by ***a shared understanding of the definition of affordable housing; interdependency (understanding the role of each partner); joint research demonstrating affordable housing need***; ***a clear sense of targets for various income groups and household types***; ***'layering' funding sources to bridge construction and subsidy gaps***; and ***learning from good practices***, both through local pilots and from other cities. Vancouver also had the most transparent information on social and affordable housing built in the three years between 2012-2015: 1,846 new supportive housing units (that is, rent geared to income with additional mental health and/or physical disability supports), 1,609 new social housing units (mostly but not exclusively rent geared to income), and 3,783 units below market rental units constructed (a total of ***over 7,000 units***) within a local government serving 650,000 people. While impressive, this was by no means meeting affordable housing deficits in that city, and growing homelessness was being treated as a crisis.

In Portland, collaboration between local and county government, investors, and non-profit housing and service providers was demonstrated by ***a shared understanding of the definition of affordable housing; interdependency (understanding the role of each partner); joint research on affordable housing innovation; emergent integrated policy on homelessness; a good sense of layering funding sources; and strong advocacy efforts aimed at the state government.*** Their outcomes were much less impressive: ***691*** additional rent geared to income units (an unspecified amount being supportive housing for formerly homeless people) for a similar sized local government between 2010-14.

In Toronto, there was ***no collaboration between local and provincial government, and limited collaboration within local government***. There was an emergent partnership, funded by the provincial government, that was bringing together investors, local government, private and non-profit developers, and research institutes. However, there had been zero net new social housing built in the city in the previous five years, although it should be noted that there was a strong emphasis on repairing a large existing public housing stock and also preserving naturally occurring affordable housing.

In 2018, I returned to these three cities and conducted another set of interviews with key Melbourne actors. Through preliminary discussions with local researchers and advocates, as well as scanning local media, I was pointed to a smaller sub-group of key actors doing particularly innovative work. Thirteen of the 22 interviews were with the same people as 2015, pointing to a general lack of 'churn' within affordable housing in all four cities. A further two were with new people in the same organisation.

As in 2015, the 2018 interviews, which lasted from 40 to 70 minutes, ranged over understandings of affordable housing and the 'missing quantum' at various income levels; innovation in financing, regulation and design to scale up 'affordable housing', use of evidence in developing and evaluating policy; and how various partnerships developed and worked to create more affordable housing.

The 2018 report finds that the trajectories described in 2015 have intensified. Vancouver is creating multiple 'game changing' affordable housing opportunities, Portland's stable and consensual approach is providing good outcomes but nothing game-changing, and Toronto is facing a deepening crisis of homelessness and lack of affordable housing.

2.

VANCOUVER: GAME-CHANGING PARTNERSHIPS SCALE UP AFFORDABLE HOUSING

Vancouver has an international reputation for its work on environmental sustainability and supporting 'modal shift' from cars to walking, cycling and public transport. These strengths have been based on integrated and consensual metropolitan governance and an urban containment boundary that has remained essentially unchanged for over 40 years.

Vancouver, like Melbourne, also has a reputation as one of the world's worst cities for housing affordability. A recent report by the Canada Mortgage and Housing Corporation (CMHC) discusses both traditional and emergent theories for why both house prices and rents are so high. Vancouver does have a relatively high annual growth rate, its economy continues to grow, and mortgage interest rates are low (as they are in all three countries under examination in this report). The extent of international speculation in housing has received a great deal of media coverage, but ***the emphasis on speculation by international buyers may mask an overall trend in multiple investment property ownership by an increasing number of wealthy households***. The question is how local governments can better steer the supply of higher density and lower cost housing, particularly in areas with high levels of services and amenity that are 'locked out' of redevelopment because of zoning.

Despite very high land costs, the City of Vancouver has made considerable inroads in meeting affordable housing needs. These successes have emerged because of productive partnerships, already notable in 2015, that have scaled up remarkably in the past three years. A number of interview participants called attention to what this report will term a ***'Stonehenge moment' in 2017***, when federal, provincial and local government policy became aligned for the first time since the 1980s. Vancouver has been able to capitalise on this policy alignment because of at least a decade of work developing partnership infrastructures that are committed to scaling up affordable housing.

> *For the first time, I would say that there is some alignment between all three levels of government on housing*.
>
> (Vancouver senior housing policy officer)

In Vancouver, my research was informed by conversations and email correspondence with several housing researchers and activists (Professor Penny Gurstein of University of British Columbia; Andy Yan, Director of the Cities Centre at Simon Fraser University, and Associate Professor Meg Holden of Simon Fraser University; and Matt Hern, an affordable housing activist) as well as conducting formal interviews with:

- Senior housing policy officer, City of Vancouver (same person and role as 2015)
- Shayne Ramsay, CEO, BC Housing (same person and role as 2015)
- Kira Gerwing, Manager, Community Investment, VanCity Credit Union (same person and role as 2015)
- Andy Broderick, Managing Director, New Market Funds (new actor)
- Thom Armstrong, Executive Director, Co-operative Housing Federation of BC (I was unable to interview him in 2015)
- Stephanie Allen, Vice President, Project Planning and Partnerships, Catalyst Community Development (the organisation was a new player in 2015, so I interviewed a more well-established non-profit developer; it was specifically mentioned as an innovator by informants in 2018)

GAME-CHANGER 1:

Federal investment in affordable housing

When the first set of interviews were carried out in Vancouver, in February 2015, the federal government had been Conservative since 2006. Their involvement in affordable housing policy was limited to federal provincial agreements to fund existing affordable housing operating agreements and a very small amount of new construction. Most of the responsibility for funding affordable housing had been downloaded to provincial governments since the 1990s. Many 30 year operating agreements from an earlier and more active era of social housing construction were coming to an end, and the future viability of the entire sector was at risk.

> *Federally, the previous [federal] government was blind, deaf and dumb on affordable housing. They were there to cancel programs*.
>
> (Vancouver senior housing policy officer)

In October 2015, the Liberals won federal power, partly on the basis of a 10 year, $120 billion national infrastructure plan, a third of whose resources is devoted to affordable housing. *A Place to Call Home*, the National Housing Strategy developed in 2017, is the first ambitious federal affordable housing plan in a generation. The priority for this strategy is finding housing for 530,000 low income households in severe housing stress across Canada, through a combination of new investment and a portable housing allowance (housing allowances had been downloaded to the provincial government in the 1990s; this measure increases both the amount of subsidies and the federal proportion of the funding). The federal government will also partner with each province on a set of priorities, although this third component of the strategy is a continuation of what was previously available through provincial-federal cost-sharing (in BC, this is about $30 million a year, according to BC Housing, so not a major component of the strategy).

In Vancouver, there was a cautiously optimistic response to the first year of the National Housing Strategy. Kira Gerwing, from Vancouver's largest banking provider (and Canada's biggest credit union), VanCity, has been in her current role for almost seven years. VanCity has been a leader in supporting affordable housing partnerships. In the 2015 interviews, all eight key informants referred to VanCity's partnership convening role.

Kira said that the federal government, and particularly the CMHC as the leaders in policy research, are engaged in truly "*advanced*" and transformative thinking about the role of finance in affordable housing. The head of the CMHC, Evan Siddall, is an economist who sees the global flow of investment capital into housing speculation as a significant risk to the Canadian economy. That means that the CMHC is focusing on ways to build up the non-profit (NP) sector to a point where it can counter-balance speculative housing cost inflation in Canadian cities.

The CMHC has traditionally ***provided low or no interest mortgages to mixed-income non-profit housing***, which was particularly vital to the growth of co-operative housing in the 1970s and 1980s. It is reinvesting in that role. For instance, a new Rental Construction Financing loan fund of $3.75 billion from 2017-2021, is intended to support both non-profit and private development initiatives aimed at cross-subsidized affordable housing projects. In order to qualify, all units must have below market rentals and at least 20% of the units must be affordable to very low income households at 30% of AMI. Units must be built to high levels of energy efficiency and at least 10% of units must be fully accessible. In return, developers obtain up to a 50 year mortgage at a fixed rate. Interest payments begin to be payable after a year of stabilized gross rental income. Although the affordability component is only guaranteed for 10 years, as was the case for NRAS in Australia, the emphasis on cross-subsidising very low income rental and the measures to encourage non-profit development (though construction and mortgage guarantees from the federal government) takes it a step above NRAS.

VanCity developed a ***pre-development fund for high-risk non-profit projects***, covering the $300-600,000 of capital necessary to get a project through re-zoning, development permit, building permit, and working drawings. The fund was about $3 million in 2015, with a 2% interest on the loan, repaid if and when construction financing was received. As part of the National Housing Strategy, the federal government is providing ***matching funding*** of up to $6 million, so that VanCity's fund has now been built up to $12 million this year. This seed funding is especially important for emergent non-profit housing providers, and also provides a good example of federal government support through matching funding. A number of Vancouver NP providers in 2015 and 2018 mentioned this fund an essential key to viability.

The federal government's ***Affordable Housing Innovation Fund*** is another game-changing finance instrument. It is a flexible fund intended to support prototype replicable developments showing financing or design innovation. The first investment in this relatively small ($200 million) fund occurred in Vancouver in 2017. The federal government financed a three storey 40 unit modular housing project in a piece of vacant city-owned land in central Vancouver. A year later, the provincial government funded 600 more modular housing units, linked to support services, based on this model (see below).

Now that the federal government is back in the game, several provincial governments have also entered the social investment for affordable housing market. BC Housing has led the development of a national Housing Investment Corporation, with Manitoba and Ontario. The new lender will ***provide low interest and fixed rate 30 year mortgages exclusively to non-profit housing providers, as well as specialised expertise in affordable housing development and management***. These measures complement the federal policy and begin to address the scaling issue to meet any ambitious set of targets after decades of relative inaction by senior government. The Housing Investment Corporation is still in its initial stages, having received a total of $2.5 million in equity from the three provinces. However, with the backing of three populous provinces with good credit ratings, NP developers can approach capital markets and "*get tranched $200 million at a time,*" according to Thom Armstrong: "*If non-profit developers can de-risk their pro formas by baking in an interest rate that is solid for 30 years, it is a game-changer for access to capital*."

Some interview participants in Vancouver (and many in Toronto) expressed caution about the federal strategy. Shayne Ramsay of BC Housing had concerns about affordable housing targets imposed by the federal government, when provincial governments were still taking on the lion's share of funding affordable housing. For instance, the federal-provincial agreement for BC, which had been signed in July 2017 (the week before my interviews) committed about $1 billion annually from the federal government. The provincial government, in its 2018 budget, committed $7.7 billion in new financing for affordable housing. The BC government currently spends about $150 million per year on housing allowance programs, mainly for seniors and families, with an average household benefit of $5,000 per year for families and $2,500 for seniors. The average federal benefit will be around $2,500 for any household and their funding will top out after 10 years at about $50-60 million. A number of participants pointed out that much of the federal infrastructure investment money does not kick in until 2020, after the next federal election.

But there was an overall sense in Vancouver of the federal government putting "*affordable housing back on the map, being listened to, paying attention*" (Vancouver senior housing policy officer). Andy Broderick, from New Market Funds, convenes a quarterly national meeting of 12 large non-profit housing providers. They are trying to develop a policy framework around a sustainable development imperative. That group was invited to meet with the CMHC in late May, to partner in co-developing new programs. Kira Gerwing, from VanCity Credit Union also emphasized ***approaching the federal government as partners, not as supplicants,*** in relation to their seed funds:

> *When they first introduced me to the [CMHC committee], they said 'Here is Kira Gerwing from VanCity, who is requesting matching funding for a fund she is building'. I said: 'I need to clarify that, I'm not requesting anything. I'm actually inviting the CMHC to partner with us on a fund which we are doing whether you participate or not'.*

In other words, the Vancouver housing actors have the expertise, the coordination and the confidence in the work they achieved while the federal government was essentially uninvolved in affordable housing policy-making. Now they are ready to shape federal finance mechanisms to support and scale up already excellent work.

GAME-CHANGER 2:

Consolidating non-profit asset power

The Co-operative Housing Federation of British Columbia (CHFBC) represents non-profit self-managed co-operative housing projects in the province. While there are a few shared equity homeownership projects, the majority are rental projects with a mix of subsidized and non-subsidized units.

Almost 70,000 units of co-operative housing were facilitated across Canada from 1973 to 1993 by the CMHC through low or no interest mortgages, use of government land, and subsidy assistance for low income renters. The co-ops themselves were expected to be self-financing – that is, cover their expenses through rents (called 'housing charges'). Most, according to Thom Armstrong, the Executive Director of the CHFBC, have been able to refinance any loans to

improve environmental performance of a mostly 25-55 year old building stock. But after responsibility for affordable housing programs was downloaded to provinces in the early 1990s, there was little support for new co-op housing projects. The total amount of social housing decreased dramatically, and the little funding that remained was focused on very low income housing, rather than mixed income developments.

Thom has been in the co-operative housing sector since 1982 and has led the CHFBC since 2000. He has had a vision for the last decade, of consolidating the asset base into what they call a '***Community Land Trus***t' (although that term is a bit of a misnomer, as the asset is mostly the building, not the land, which is often leased from government). As Thom explains, the average BC co-op has 56 homes and the median is 44. This works well for the self-management and community-building mission of co-ops, but not as well in aggregating and leveraging the combined value of co-ops around the province. Thom says that he borrowed the concept from Australia's Common Equity Housing Limited:

> *The notion that we could unbundle the everyday property management and the long term asset management… [and] use the existing equity to develop and re-develop, especially if we get free municipal land*.

By 2014 (when the Transforming Housing team initially visited Vancouver), CHFBC had succeeded in ***bundling the assets of most co-ops in the province***. For the past four years, they have been able to "*deploy $2 billion of real estate assets towards the preservation of existing affordable housing, and partner up with provincial and federal money to create more co-op and non-profit housing*", according to Thom.

This has allowed the joint co-op-NP new developments described in the section below. But it has also preserved existing social housing, which as we will see in the Toronto part of this report is being lost at an alarming rate. While most co-ops did a good job of asset management over the 30 years of their initial low-rate mortgage, some found the pressures of maintaining short term affordability for members in low income regions outweighed long term sustainability. One outer suburban project was *"$1 million in arrears, 30% vacant and teetering on the edge of receivership*". VanCity could not provide a loan based on that risk profile. But it could lend the CHFBC trust $7 million to buy out the CMHC mortgage and put about $5.5 million into renovations. It is now full and self-managing.

Another co-op building was demolished after a receivership order from CMHC. Almost 100 adjacent townhouse co-op units were also being pushed into receivership. The CHFBC land trust again approached VanCity with a plan to redevelop the entire site with 97 units of co-op housing and the 500 units of below market rental housing being asked for in the receivership action. All of the site will remain as NP housing, instead of being sold to private sector developers.

A third site, a development for low income seniors, was managed by BC Housing. With three years left on its management contract, BC Housing wanted to offload it. Now the conditions of the lease protect it as NP housing for another 80 years. It will eventually be redeveloped as co-op housing.

This points to another advantage of bundling social housing assets: ***avoiding the worst aspects of displacement of social housing residents as part of renewal, as well as the right to return to an equivalent unit once the renovations are completed.*** As discussed above, 'rent evictions' in the private property market are rife, but public housing renewal can also result in people having to leave their community networks of social and health services and local schools, for a poorly serviced alternative. Thom describes how a 135 unit co-op being developed in central Vancouver as part of a community amenity contribution (see City of Vancouver section below) has 31 units reserved for families who live two kilometres away in a poorly maintained co-op. The co-op will be demolished, redeveloped into a 70 unit new co-op in 2-3 years, and then the 31 families can move back. This minimises school and other disruptions.

The CHFBC Trust has a charitable fund component that allows further subsidized units within co-ops for target groups, including women leaving violent relationships, in areas with inadequate long term affordable housing options.

Bundling assets in a community land trust has become the 'go to' plan for all non-profit housing developers in Vancouver. Catalyst Community Development, a relatively new community housing provider, is five years old. Their niche is with non-profit organisations with land and social mission, but little experience in housing development, such as churches and other charitable organisations. While they do seek federal and provincial funding for some projects, particularly in regional parts of BC where land values are not as high as Vancouver, they also seek to harness the 'bundled' land value of charitable organisations and work with social investors "*so that when the [government] tap shuts off, we can keep on going*" (Stephanie Allen, Catalyst). She points out that covenants and agreements with governments can often limit the extent that assets can be used to move other projects forward. She also describes the compelling arguments for a scaled-up NP sector and contrasts them with private developers (where she worked for several years):

We do three things as we pay down the debt [e.g. a mortgage]. We lower rents, because we can. That's our goal. We take the cashflow as we accrue it to fund other developments. We can extract capital after debt is paid off to deploy in the development of more affordable housing.

These are all compelling arguments to prioritise NP providers and scale up their capacity.

GAME-CHANGER 3:

A strategic alliance of all non-profit housing providers

The weekend I arrived in Vancouver in July 2018, the local news cycle was dominated by the opening of one of the largest new affordable housing developments in three decades. Fraserview Co-op has 278 new homes for families and singles. Ninety are two and three bedroom townhouses, and are currently offered for 85% of market rents, which is still high for moderate income households. ***But they are collectively self-managed (like condominium properties in Melbourne) and offer security of tenure***. That is, there is no means testing, unlike most social housing. So long as you pay the housing charge and abide by the rules, you can age (and get wealthier) in place. In Vancouver, there is huge concern about '***rent eviction***' (evicting tenants using the reason that vacant possession is necessary for renovations need to occur, then vastly increasing rents, often without undertaking these renovations). And in most social housing, earning more household income can lead to eviction as well, on the basis that the housing is meant to serve lower income households only. In contrast, co-op housing provides lifelong tenure security if the project maintains viability. Furthermore, ***housing charges only rise when costs increase***. Other than paying off a mortgage or undertaking necessary building upgrades, there is no pressure for housing costs to provide profit to an owner.

Cross-subsidization from the equity represented by townhouses on the waterfront, as well as commercial retail units facing the waterfront that were sold, allowed 188 further co-op units to be offered at housing charges that are affordable to households at 60% of AMI.

The Fraserview site has four buildings with a total of 336 NP units. Part of the bid for City-owned land included accommodating two supportive housing projects. The Sanford Housing Society has an adjacent building with 48 units for low-income singles, half of whom will have supportive services for people with mental illness provided by the Kettle Society. The Tikvah Housing Society has a third development, with 32 townhouses for Jewish low income families, including single mothers escaping family violence. Bundling assets from several different buildings and providers on one site allowed lower interest rates for construction finance loans. The CHFBC Trust has been quite transparent about how it ***layered funding*** from all three levels of government, social impact funders like VanCity and New Markets, and equity from its bundled assets to make its pro forma work. As Thom says: "***Five years ago, access to capital was our biggest challenge, but now it isn't".***

An important part of building up an asset and advocacy alliance is the strategic partnership with the BC Non-Profit Housing Association (BCNPHA), which represents 600 organisations of varying size providing 60,000 units of NP housing in 1,200 buildings. Three years ago, my informants described a non-profit sector just beginning to turn away from a competitive to a collaborative partnership model. There was one project described as a success story, where a coalition of non-profit housing providers bid successfully on a local government site in Richmond (a suburban municipality in Greater Vancouver), but this was the exception rather than the rule. Thom provides the story of how this nascent partnership rapidly became a powerhouse:

You've noticed there are a few organisations in this office. The big news is the unification of the co-op and non-profit sectors.

We love our siloes. We burrowed down them very comfortably for so many years. We didn't really engage. We had good but not productive relationships.

The former CEO of the BCNPHA and I were at a… conference three years ago. I'll always thank the organisers for the program. Because both of us thought the workshops would be so boring, we went to the lounge instead. We started making lists of where the CHFBC was strong and where it had gaps and where the BCNPHA was strong and where it had gaps. And we realised that we complemented one another in ways that could be really exciting if we did something about it.

The space on the other side of the hall was opening up because their lease was coming to an end, and we said, 'Why don't you come? We'll put out staffs together and honeycomb them. Let's see if our education teams and asset management teams and group buying teams and management teams can get something done together'.

This has been such a rich and productive partnership… It led to the Affordable Housing Plan… We aren't fighting over shares of a shrinking pie. We are working together to expand the pie.

The ***partnership dividend*** has immediately paid off. As was the case with the modular housing pilot project, Fraserview has become the template for an ambitious scaling up program. The City of Vancouver tendered seven government-owned sites, of varying sizes, for 1,039 units of affordable rental housing. The CHFBC Land Trust and the BCNPHA were successfully awarded the contract in May 2018, and the units are expected to be completed by the end of 2021. The contract was highly sought after (as I heard from an unsuccessful bidder) and was won on the basis of how much affordable housing, meeting a range of needs, could be built quickly. An additional aspect of the winning bid, high rise timber construction, will be discussed in a section below. There is no doubt in Thom's mind, that the co-location and collaborative partnership led to a winning bid with the City of Vancouver. He echoes the terminology used by Kira Gerwing in relation to federal funding:

We want to be partners, not just supplicants. We have assets, we have equity in our real estate base…. We're saying 'we aren't just expecting governments to solve the whole problem. We have assets and capacity of our own.'

(Thom Armstrong, CHFBC)

GAME-CHANGER 4:

An advocacy alliance co-develops a provincial housing strategy

VanCity, as a credit union, is a non-profit, member-run entity, like co-op housing. VanCity is also the largest provider of individual private market mortgage finance in Vancouver. But VanCity's mandate includes strengthening the NP sector, which means "***building assets, attracting real estate opportunities to the NP sector from the private market***", according to Kira Gerwing.

Three years ago, VanCity collaborated with the BCNPHA on a provincial rental housing affordability index, a project that has now gone national as the Canadian Rental Housing Index. This map-based research tool provided evidence that could fuel advocacy at all three levels of government.

Based on this successful project, VanCity funded another piece of action research: *An Affordable Housing Plan for BC*. Produced in time for the July 2017 election, it has proven to be a game changer of exceptional power. In BC, the Liberal Party (which in Canadian federal politics operates as the left of centre party) is the more conservative of the two major parties. It had held power since 2001. The New Democratic Party, which narrowly won power in 2017 in coalition with the Green Party, has traditionally been the left of centre party.

Whether governed by right or left of centre parties, BC had one of the more interventionist provincial affordable housing support systems in Canada for 25 years. When the federal government downloaded responsibility for affordable housing policy to provinces (along with increasingly depleted funding) in the early 1990s, the NDP government was led by a former Vancouver mayor, Mike Harcourt. He decided to replicate many of the CMHC functions (low cost mortgages and other loans to non-profits, a large subsidy pool, research, and strong policy direction) in a new separately managed entity called BC Housing. This shielded BC from some of the worst depredations suffered in Ontario over the subsequent three decades. When the BC Liberals came to power in 2001, BC Housing was a respected enough organisation to maintain most of its staff and functions.

When I visited in 2015, BC Housing was working in partnerships with local government, non-profit developers and investors to maintain and develop affordable housing. For instance, they provided start up funds for New Market Funds, when it was starting its social investment fundraising. However, their policy focus was on very low income households. According to Thom Armstrong, there was no attention paid to the ***'missing middle'***:

> *If you made $80,000 a year and couldn't afford to live in Vancouver, the response of the province was 'live somewhere else'… The message the former government was sending to renters was 'you've lost the housing lottery. We are going to help you aspire to be an owner.'*

The primary delivery mechanism for provincial public housing renewal was through public-private partnerships. This led to some acknowledged ***strategic disasters***, such as occurred in the Little Mountain public housing renewal project. BC had withdrawn from public housing construction earlier than the rest of Canada, under a right of centre government in the mid-1970s. Most federal and provincial funding during the 1970s and 1980s relative heyday of social housing, went to co-ops and other NP providers. But there is a stock of aging but well located public housing constructed from the 1950s to the early 1970s.

Little Mountain had 224 dwellings in 2007, the year that the federal government downloaded management of the public housing to the province, and the provincial government immediately sold the Vancouver complex to a private developer for redevelopment. The agreement stated that residents would be relocated for 2-3 years, then able to return to new public housing units; that the City of Vancouver would lead a collaborative planning process for the site; and that any revenue the provincial government received from the sale of land would go to other social housing developments. In return for 300 public housing dwellings, a 25% uplift, the Malaysian-based private developer was allowed to build 1,200 luxury condominiums on the land. By 2017, all tenants had been evicted for many years, and only 53 of those public housing dwellings had been replaced, with most of the land still remaining empty – partly because the City of Vancouver continued to advocate for better outcomes through its planning processes. As has been the case in Melbourne, one bedroom apartments had replaced three and four bedroom flats, so moving back to the community was impossible for many families. A documentary and website has painstakingly documented the 50 year history of the community predating demolition, as well as considerable community activism that had publicized this ***abandonment of a community asset.***

The strategic alliance that produced the *BC Housing Action Plan* included not only the co-located social housing providers, CHFBC and BCNPHA, and VanCity, but also some key private sector organisations. Landlord BC is the peak body for private sector owners and managers of rental housing. Their CEO, David Hutniak, wanted to act as a bridge-builder between private and community housing interests. According to Thom Armstrong, his message was "***We don't need to agree on everything to agree that we need more purpose built rental housing. So let's pool our resources***." The BC Board of Trade also weighed in with a suite of recommendations that were complementary to those of the BC Housing Action Plan.

Together ***the coalition emphasized creating rental supply across the entire low and moderate income continuum***. Like the City of Vancouver's Housing Strategy, which will be discussed below, they were introducing the notion of the 'right supply' of all housing, not just 'increased supply' of low income housing. For the first time, the balance between approving luxury condominiums and encouraging other forms of housing is open for discussion, as is reliance on private sector delivery of affordable housing as a 'by product' of luxury housing provision. As Kira Gerwing says:

> *Housing policy in BC has been a game of unit counts for 16 years… But starting with the BCNPHA's rental housing index and expanded from that… it was getting beyond numbers into… what do we need at various income points?*

The Action Plan provides all the key components of effective policy. It provides a ***quantum of affordable housing need***: 114,000 homes over the next 10 years, to meet future demand in an aging society, accommodate for population growth, and meet current needs for the citizens of BC. It ***breaks down need into household income and size factors***. It provides a ***breakdown of costs*** for new supply, non-profit repair, income support, and homelessness services (which can include social and health services attached to housing). It suggests an ***annual target of 7,000 units*** (for a provincial population of 4.6 million, so a little smaller than Metropolitan Melbourne) and concrete policies to meet those targets.

The NDP adopted this well-crafted plan as its campaign platform, and then into its *Homes for BC* Policy when it was elected last year. They have committed ***$7 billion over 10 years*** across the entire affordable housing spectrum, from affordable rental and homeownership, to homelessness services, indigenous housing and housing for women leaving violent relationships.

Perhaps most importantly, it has moved away from a primarily private sector-based response to increasing the capacity of non-profit providers, including co-ops. As discussed in the introduction, the federal government is best placed to provide direct and indirect subsidies for social and affordable housing, as they command 83% of total tax revenues in Canada. But the middle tier of government has vital policy and regulation levers at its disposal.

There are a series of measures to cut down on the worst excesses of the speculative housing market. This includes ***increasing the foreign buyer tax rate to 20%, increasing both property transfer taxes and school board taxes for properties over $3 million, and stronger regulation on short-term rentals like AirBNB***. There is a promise of greater enforcement of property tax fraud. All of these increased tax revenues are pledged to affordable housing construction and maintenance.

Even more importantly, the BC government is enacting changes to the Residential Tenancies Act to end fixed term leases that can be followed by big rent increases. Now, annual leases (which are, of course, more secure than the six month leases previously the norm in Victoria) can be rolled over into successive years with the rent increase capped to inflation plus one or two percent. They are examining ways to address rent evictions in ***naturally occurring affordable housing***. In a city that has recently moved from majority homeowner to majority renter, this will assist renter households to have the tenure security they need to thrive.

In terms of new supply, the province has increased its role in facilitating affordable rental housing through a new Housing Hub. This will increase ***access to government and privately owned vacant and under-utilised land, low-cost financing, and higher risk financing*** (that is, low or no equity lending) for rental property. Fraserview received financing from the Housing Hub, as well as equity and subsidy for the low income units. The United Church recently partnered with BC Housing to redevelop four churches with a total of 411 affordable rental housing dwellings above them.

According to Shayne Ramsay of BC Housing, "*there is more affordable housing under development or construction in BC than in the rest of the country combined, by a factor of three or four*". Moreover, public housing redevelopment is now happening "*the way it should happen, not the way Little Mountain happened*." The province is still relying on public-private redevelopment of its public housing assets, but with more stringent terms. Cedar Place is a 90 unit affordable family townhouse development owned and managed by BC Housing and built in 1971. In partnership with a private developer, a 90 unit new public housing apartment building, with bedroom to bedroom replacement, will be built first. Tenants of the existing building will be able to move the new building across the street, which will be torn down and replaced by a 90 unit non-profit seniors building. However, the amount and value of the land sold to the developer in return, as well as the number of private units, is not provided in either the BC Housing or the City of Burnaby public information. So it is definitely not the way Little Mountain happened, but not yet the way it should happen.

The Cedar Place agreement dates from 2012, under the previous Liberal government. ***The current NDP government does not support the sale of public assets, including land.*** It is considering a 100 year lease to non-profit developers instead of land sale to private developers in their newest large scale public redevelopment, Riverview, a former psychiatric hospital. Perhaps this public land site will be developed the way Fraserview happened, which is much closer to the way it should happen to maximise value of public assets.

Several informants pointed out that the BC government could do more in terms of providing affordable housing targets for local governments and weaning itself off poorly conceived partnerships with private developers. But overall, the sense is that the two senior levels of government are learning from what has worked – and what hasn't – at the City of Vancouver.

GAME-CHANGER 5:

The City of Vancouver provides leadership at the local level

The City of Vancouver has taken ***policy leadership*** in the area of affordable housing. The federal and provincial government are learning from them; although curiously, metropolitan government is relatively unengaged.

In this work, Vancouver's municipal government has profited from 10 years of relative political stability under a centre-left government with a strong environmental vision. While the provincial government was centre-right, and the federal government decidedly right wing for most of those 10 years, Vancouver was blessed with political leadership that encouraged a deliberative partnership approach to affordable housing and was willing to take on ambitious affordable housing targets.

Three years ago, all informants – whether from the provincial government, private development, or social housing - referred to the City of Vancouver's housing continuum in their definition of affordable housing. All informants were contributing, in various ways, to Vancouver's ambitious ***2012-20 Housing and Homelessness Strategy***. Vancouver's emphasis was on increasing low income supportive and social housing dwellings, as well as facilitating increased market rental dwellings. The City had worked for a dozen years to convert over 2,000 Single Room Occupancy dwellings from private landlords to non-profit ownership in the city's Downtown East Side, Canada's largest concentration of extremely poor people. It had used existing Inclusionary Zoning tools, like development charges for rezoning (Community Amenity Contributions) to develop 1,700 social housing units, and 1,300 below market rental units from major redevelopments in the first five years of the strategy.

As discussed in my 2015 report, the City of Vancouver has also vastly increased the stock of accessory dwellings on single-family lots, mostly through a ***laneway housing*** program. This program, which allows new 1.5 storey units on most lots (often replacing a garage in the back of a detached dwelling), has enabled the construction of over 2,000 'accessory dwelling units' since 2008.

The City of Vancouver's most successful program (in terms of affordable housing dwellings) was its Rental 100 program. In return for 100% ***rental buildings near new public transport stations***, private market developers were granted reduced (or waived) car parking requirements, development cost levy waivers, reduced minimum unit size provided other design standards were met, increased density, and expedited rezonings.

At the 2017 midway point of 10 year targets, Vancouver had surpassed its market rental target by 41% (over 7,000 new market rental dwellings, due to strong interest from private developers in Rental 100), and had achieved 59% of 10 year targets for social and supportive housing (5,000 and 4,000 units respectively) in five years.

However, the new federal and provincial housing strategies offered new opportunities, at the same time that the housing affordability crisis in the city was seen as not adequately being addressed by these measures. So in November 2017, the City created an even more ambitious 10 year Housing Vancouver Strategy.

In this strategy, as is the case at the provincial and federal level, there is an emphasis on ***dampening out of control housing speculation***. The City is working with senior government to develop a speculation and flipping tax, has increased Property Transfer Tax on luxury properties, and is closing loopholes around capital gains taxes. For the first time, a local government in Canada is providing housing targets for all income levels, including targets for luxury housing for the 15% of households making over $150,000 a year (Figure 1).

Figure 1 also shows a much more nuanced understanding of income thresholds than is the case in Greater Melbourne. The City of Vancouver has income categories equivalent to 20%, 40%, 60%, 100% and 180% of median income. They are working towards a future where moderate income renters at 100% AMI can live in social housing (cooperatives and other community models where they are cross-subsidizing very low income renters), where the needs of households of 60% and more can be met through scaled up and regulated market rental, and where some ownership options (condominiums and laneway units) are affordable to those earning over 80% AMI.

Building Type	Renters <$15k/yr.	Renters <$15-30k/yr.	Renters $30-50k/yr.	Renters $50-80k/yr.	Renters & Owners $80-150k/yr.	Owners >$150k/yr.	Total	% of Total
Apartment	5,200	1,600	2,000	3,000	200		12,000	17%
			2,500	12,000	5,500		20,000	28%
				6,500	16,500	7,000	30,000	42%
Infill				2,000	2,000		4,000	5%
					300	700	1,000	1%
Townhouse					1,700	3,300	5,000	7%
Total	5,200	1,600	4,500	23,500	26,200	11,000	72,000	100%
% of Total	7%	2%	6%	33%	37%	15%	100%	

Supportive and Social Housing | Purpose-Built Rental | Condos | Laneways (Rental) | Coach Houses (Strata) | Townhouses

FIGURE 1. TEN YEAR HOUSING TARGETS, CITY OF VANCOUVER HOUSING STRATEGY 2017-2027

As the senior housing policy manager points out, even these modest goals represent a very difficult transition from traditional emphasis on making detached homes affordable to median income households:

> *The City has been on a permanent boom trend with regard to development. So one of the hardest things to do is to try and shift that supply and prioritise the supply of affordable housing.*

One of the mechanisms that local government has is removing barriers to the speed of affordable housing delivery. The City has expanded its Rental 100 program to a new ***Moderate Income Rental Pilot Program***. In return for 100% rental as well as at least 20% of floor area aimed at what would, in Melbourne, be considered low to moderate income rentals (that is, targeting household income in the $30-80,000 per year range), the City will provide additional height and density beyond what is provided in zoning, development cost levy waiver, minimum parking requirement waivers, and expedited approvals.

The City of Vancouver is planning for a city of renters and also planning for a city that is no longer dominated by single family dwellings. Associated with the overall strategy, a June 2018 report called *Making Room* has essentially ***eliminated single family zoning across the city***. The idea is to increase housing for the ***'missing middle'*** in both senses: support the development of moderate income housing in the form of duplexes, fourplexes, townhouses, and 3-4 storey apartments in middle suburbs that have hitherto opted out of multi-family development. A four storey height limit is imposed, but within that height limit, ***intensification is being strongly encouraged that is not downtown highrise or outer suburban sprawl***. The policy is squarely aimed at parts of the city that are well-served by public transport, schools and other services, and proximate to employment, but have thus far not provided their 'fair share' of housing.

I asked my local government informant how the political consensus was built around this radical strategy. The response:

> *Despite the fact that [in 2017] we were having a lot of success in building affordable housing, the market was at the point where even your average person is finding it very hard to stay here… Once you get into a situation where [not only ownership but] rent is unaffordable, you really are compromising the city… There is a lot of evidence behind [the policy]. Vacancy rates, homelessness, the current breakdown of incomes in the City. The targets are designed to maintain that [income] mix.*

BC's Housing Hub is modelled on the Vancouver Affordable Housing Agency (VAHA). This agency was established to help facilitate the 2012 Strategy. However, there were concerns about continuing internal dissention between the City of Vancouver's planning, housing and property development arms that were expressed in the 2015 interviews. There has been a recent change of management at VAHA and it is possible that the mission will be further re-thought with the recent announcement of a $2 billion Vancouver Endowment Fund. Modelled on the CHFBC trust, this Trust ***bundles 200 land sites the City owns, revenue through sources like development charges and empty homes taxes, and capital funds through the annual budget***. The amalgamated revenue can then be used to leverage loans and financing for affordable housing. In turn, there will be an emphasis on working together, with the Housing Hub, to unlock land held by non-profit organisations like churches with large parking lots to build 'social purpose' developments.

One flagship program has been the rapid response system to increasing homelessness: **600 units of modular supportive housing**. Provincial funding was announced in April 2018, and within three months, 200 dwellings on four sites were tenanted, 100 more on two sites (including the Little Mountain vacant land) were under construction and 300 were in various stages of approval. All of the dwellings are on local or provincial government land that is slated for redevelopment in the next 5-10 years, but since the units are transportable, they could be moved to another site once the permanent development begins. This level of construction and service coordination, along with the rapid deployment of government land, would not have been possible without VAHA, according to several informants.

GAME-CHANGER 6:

The Vienna Model and Cultural Shift

The City of Vancouver innovated, and other local governments followed. Most of the surrounding suburban municipalities – Richmond, North Vancouver, Surrey, New Westminister – are all developing strategies with similar social housing and affordable rental programs. One exception, noted by several informants, is Burnaby, which has staunchly maintained that affordable housing is not a local government responsibility, and is allowing wholesale conversion of relatively affordable rental housing to condominiums as part of a redevelopment of the transit and shopping hub Metrotown. The media outcry has been very loud, and most people do not expect the current Burnaby mayor or council to survive municipal elections in November 2018.

So what is behind a broad-based cultural shift that has seen affordable housing become an "us" issue, a make or break local and provincial election issue, and has accommodated radical proposals like limiting supply of luxury condos, the end of single family zoning, and even a goal of 50% non-profit housing for Vancouver expressed by one mayoral contender?

One factor is the longevity of affordable housing leaders in Vancouver. Shayne Ramsay has been with BC Housing for 22 years, and its CEO for 18. Thom Armstrong has been Executive Director of the CHFBC for 18 years and has worked in co-op housing for 26 years. Andy Broderick, of New Market Funds, worked on affordable housing with the City of Burlington Vermont (whose mayor was Bernie Sanders) in the 1980s before moving to social finance in Vancouver seven years ago. The City of Vancouver senior housing policy officer, Kira Gerwing from VanCity and Stephanie Allen from Catalyst had all been in the Vancouver affordable housing sector for about seven years as well. These are all people who know affordable housing and one another well, and have worked together successfully since the start of Vancouver's current affordable housing strategy in 2012.

Another factor was a series of events in late 2016 and early 2017 about the 'Vienna Model'. Four informants in Vancouver mentioned the transformative effect of the exhibit at the Museum of Vancouver and related visits and public talks. VanCity was, once again, a key partner in funding and organising the study tour, along with Urbanarium, a planning and design initiative based in the School of Architecture and Landscape Architecture at the University of British Columbia.

The 'Vienna Model' focused on a city of 1.7 million where 60% of the population is living in municipally built, owned, or managed housing and paying 30% of their income on rent. Like Vancouver and Melbourne, Vienna is considered one of the most 'liveable' cities in the world. Unlike Vancouver and Melbourne, Vienna is affordable to the majority of its citizens. The exhibit focused on the longevity of the program, almost 100 years of municipally built social housing, as well as the emphasis on good urban design, social and economic mix, and more recently, environmental sustainability. Panels of experts in architecture, public policy and finance came from Vienna to Vancouver to impart the lessons they have learned, and the exhibit and related events drew strong local, national and international media coverage.

The main lesson that key housing actors took away was the importance of use of government land. Kira Gerwing from VanCity points out:

> *There is one underpinning issue that has led to the affordability crisis in Vancouver – but also in Toronto, Calgary, Melbourne – I just got an email from Malaysia with the same issues… everywhere except places like Vienna. It isn't policy context or what financial institutions are doing or what government subsidy is. It is private land ownership… When you look at Vienna, 30% of their land was state-owned. It is governed by their constitution. They don't have an affordability problem. They have a robust NP sector that is a participant in a much more diversified housing market than we see anywhere else.*

Thom Armstrong from the co-op sector was even more blunt:

> *Never take community assets and privatise them. Community assets have to stay in the community to build wealth and support populations.*

The Vienna Model was not new to these affordable housing actors. VanCity and the CHFBC had been building up a community land trust and social finance institutions for years. What the exhibit did was take these ideas and mainstream them, through media coverage of a comparable good practice.

It is worth mentioning that not every informant was rapt with the Vienna Model. Stephanie Allen, a Black woman, pointed out that at least anecdotally, seniors and new migrants, including refugees, often end up with the oldest and least wanted housing. Having said that, Vienna is dealing with much larger refugee populations than either Melbourne or Vancouver in much more humane ways.

It is also true that there are risks, pointed out by almost every informant, in current Vancouver policies, which still depend on a majority private development model. The seven sites being developed by the CHFBC may be "*too big to fail*", according to at least two informants – by which they mean, they may not provide the amount of affordable housing promised for the subsidies provided, especially since they are using a new and largely untested ***high rise wood frame construction***. And there are also concerns about the amount of concessions being offered to move private developers from condominium construction to private rental. Finally, it is possible that the November elections, in which the current mayor and most councillors are not standing for re-election, may bring an unwelcome shift in affordable housing policy. But most informants agreed that the ***Housing Vancouver Strategy*** was on fairly firm ground, given its financial support from senior government, and that Vancouver would continue to be an innovator in affordable housing delivery.

3.

PORTLAND:
TAP TURNING IN A CLIMATE OF UNCERTAINTY

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Like Vancouver, Portland has an international reputation for its emphasis on environmental and social sustainability, achieved through relatively stable and consensual metropolitan planning and governance. Both metropolitan areas have an urban growth boundary which has been only marginally expanded over 40 years. However, as is the case in Vancouver, Portland's metropolitan government has been remarkably absent in recent years as a strong steering force in linking affordable housing to public transportation and community service planning. One success story since 2015 has been engaging Metro Portland, while Vancouver respondents are still lamenting the absence of Metro Vancouver from the policy table. In both Portland and Vancouver, strong local government steering of affordable housing policy, abetted by advocacy partnerships involving non-profits, investors and researchers, has driven senior governments to do better.

Because Portland has a similar size (approximately 650,000 in the central City, within a metropolitan area of approximately 2.5 million), metropolitan governance structure (although Metro Vancouver appoints political representatives from its 21 constituent municipalities and one Treaty First Nation, while Metro Portland directly elects political representatives amongst its 24 cities and three counties), household incomes, and growth rates (a little above 1% per year, which is lower than Toronto or Melbourne), it is instructive to compare both housing affordability and affordable housing outcomes.

In relation to ***housing affordability*** – the ability of median income households to afford median income homeownership or rent – Portland's outcomes are much better than Vancouver (or Toronto or Melbourne). Portland's median multiple (which, again, is median household income divided by median house price, and is not a measure that can be used to compare lower income renter markets) was 5.5 in 2018, as compared to Toronto (7.9), Melbourne (9.9) and Vancouver (12.6). Portland's median multiple five years ago, in 2013, was 4.3, which means that median house prices have risen far less precipitously than Toronto (5.9 in 2013), Melbourne (7.5) and Vancouver (9.5). The organization which creates these statistic reports, Demographia, consistently lays the blame for housing unaffordability at the feet of regulatory mechanisms, especially control of land supply. Portland, which has the strongest and most studied land supply controls in the US, and whose population and median household income growth rate is higher than Vancouver, has been able to resist housing speculation better than many less regulated cities, such as Toronto and Melbourne. The reasons for this housing affordability success will be explored in this chapter.

In relation to producing supportive and social housing for low very income households, Portland's track record is slightly worse than Vancouver, but ***about 6 times better than Melbourne***. In the time period of this research (2013-2018), the blame (or credit) cannot simply be laid at the feet of the US government. In the US, a centre-left President and right wing Congress until 2016 had essentially left untouched the Low Income Housing Tax Credit, the main mechanism for producing over 3,000,000 subsidized dwellings between the time it was developed by a right wing President (Ronald Reagan) and a centre-left Congress in 1986. Low income housing subsidies (known as Section 8 in the US) were being eroded and did not cover an adequate difference between market rents and affordable housing, but that was also true in Canada and Australia. Given that housing development takes at least two years, a right wing President and Congress after the beginning of 2017 would not be a major determinant of affordable housing outcomes. As previously discussed, a centre-right federal government in Canada was replaced by a centre-left government in 2015, and the positive impact is only now beginning to be felt in Vancouver. Rather, it ***is both strengths and limitations of the local policy response*** that have made the difference in Portland.

Portland's relatively impressive track record in providing very low income housing is due to some remarkable '***tap turning***' or use of ***a layered combination*** of local taxation on private development, a wide range of federal, state and local funding sources, and strong regulation. Well-coordinated advocacy efforts have led to new state and local funding and regulatory mechanisms. There is some modular housing-type innovation in terms of 'tiny home' communities. However, other mechanisms that have worked in Vancouver – leasing government land at a minimal 'rent', social investment by government and philanthropies – have not had their potential fully tested in Portland. It is possible that inclusionary zoning and the potential for cost savings in affordable housing construction have taken up too much policy

bandwidth. And the potential loss of any federal affordable housing support looms like a Sword of Damocles over all US cities, including Portland (although the same concern – about the complete collapse of the social housing sector due to federal cuts – was expressed in Toronto and Vancouver in 2015. ***Governments change***.)

In Portland, my research was informed by discussions with Assistant Professor Marisa Zapata of Portland State University and two retired private developers who had created affordable housing using the LIHTC. I conducted formal interviews with:

» Marc Jolin, Initiative Director, A Home for Everyone (also interviewed 2015)

» Senior housing policy manager, Portland Housing Bureau (also interviewed 2015)

» Michael Parkhurst, Affordable Housing Initiative Program Officer, Meyer Memorial Trust (also interviewed 2015)

» Jessica Woodruff, Director of Housing Development, REACH (also interviewed 2015)

» Dianne Linn, Executive Director, Proud Ground (not interviewed in 2015, but organisation was visited in 2014 by the author)

TAP-TURNER 1

Purpose-built rental apartments driving moderate income housing affordability

Table 3 of this report shows a startling contrast between Portland on the one hand, and Vancouver, Toronto and Melbourne on the other hand. Median rents and house prices are remarkably lower in relation to median household income. ***The median rent in Portland is about 20% of median household income; while the equivalent figures for Melbourne, Toronto and Vancouver are 27%, 35% and 39% respectively***. And as discussed above, Portland's median multiple for owned homes is 5.5, while the equivalents in Melbourne, Toronto and Vancouver are 9.9, 7.9 and 12.6 respectively. While moderate income Portlandians are concerned (and rightly so) about rental affordability, the situation is far better than most US cities of a similar size and economic profile. After a rapid rise, rent increases are now at the rate of inflation, due to increased supply in the moderate income private rental sub-market. The reasons for this have to do with federal policy, but are also influenced by state policy, and localised cultural shifts.

Portland, like most of the US, was deeply affected by the Global Financial Crisis of 2007, caused by a loss of confidence in investors for sub-prime mortgages. Greater Portland had 3,900 condominium dwellings being constructed annually between 2002-2008, but only about 600 per year built in the eight years following the crash. Even after the housing market began to recover, there was a shift in many US cities towards construction of multi-family rental buildings. From 2011 onwards, apartment construction in Greater Portland increased from less than 600 per annum to well over 4,000: in other words, ***a near-complete shift by private developers from constructing condominiums to purpose-built apartment buildings in 5-7 years***. The shift has been evident in many nearby markets, including Seattle, and appears to be caused largely by national fiscal and social trends: tighter lending requirements, a decrease in middle class incomes relative to buying power, and particularly in younger generations, lessened equity (partly caused by student debt) and perhaps a cultural shift towards acceptance of rental living.

Federal policies have mattered. The largest federal mortgage providers to both developers and individual purchasers changed the practices that had led to banking crisis, ***limiting the proportion of units that could be rented within a condo building and the number of units that could be owned by a single entity***. Unlike Australia, losses on secondary properties cannot be written off on federal taxes. Faced with the option of 'unwarrantable' buildings, Portland developers simply moved into another form of tenure.

However, in New York, new condominium buildings continue to be constructed, mostly for a speculative investor market, and in San Francisco, hybrid sale/rental buildings (again, with a strong speculative/ vacant possession component) have become the most popular form of investment. Why has Portland escaped this problematic trend?

Part of the answer is that Portland, while a 'big city' in Canadian or Australian terms, is not in the top 10 US metropolitan areas in terms of either population or GDP. It has largely 'flown under the radar' in terms of international or national speculative housing. Portland is, in the words of several interview respondents, a "*small town*" when it comes to the economics and politics of housing. There is no state-wide industry body for private sector developers. There is a ***much lower Gini Co-Efficient*** in Portland than the US average, which simply means that there is not the same distance between very wealthy and very low income households. Portland, unlike its US West Coast neighbours, Seattle and San Francisco, does not have a big high tech sector and associated 21st century 'robber barons'. It is a city whose politics are dominated by moderate income households and a left-of-centre social consensus.

Several respondents, like Dianne Linn from the non-profit shared equity homeownership organization Proud Ground, contend "*the construction defect laws... have dampened condo construction… plenty of lawyers specialise in this, and that sent [developers] running for the hills*". The Oregon State government, like the neighbouring states of California and Washington (and Victoria, Australia, which has no mass-market apartment construction sector), provides ***a 10 year statute of limitations on condominium defect liability***, which has increased uncertainty for private developers, investors, and purchasers of units. Portland apartment buildings offer a steady but not spectacular return of 6% per annum, nowhere near the 15% minimum rate of return that the City of Vancouver expects of condominium development (the basis of its Community Amenity Contribution calculations, according to Kira Gerwing of VanCity). But it is ongoing revenue, which as we saw in relation to co-op trusts, creates a steady income and asset base that can be used to capitalise further investment. Portland private developers appear happy enough with this return and wary of risk.

While lessening income disparities through better social assistance would help, Melbourne cannot and should not stop being one of the largest cities in Australia and attracting international migrants and capital. There is, however, a lesson that Melbourne can learn from Portland's rapid shift from condominium to apartment rental construction. The experiences of the US, Canada and Australia suggest that ***quite radical shifts in private development can be accomplished through fairly revenue neutral investment mechanisms***. Until 1972, Canada offered similar inducements to Australia's negative gearing and capital gains tax exemptions, as well as low interest loans and mortgages – but for apartment dwellings, as opposed to individual investment properties. After a virtual abandonment of build-to-rent, the Canadian government is now back to offering low interest loans and mortgages to build-to-rent developers, and considering taxation changes to encourage mass built rental as well. In the US, federal government lenders simply turned off the condominium mortgage lending tap in most cities, and international investors likewise preferred to lend to the certain return of build-to-rent apartments rather than risky condominium developments. ***Private development practices shift rapidly in response to finance and regulation changes.***

Why does a larger share of rental apartments, rather than condominium units or other dwellings for purchase, matter to housing affordability? First off, ***housing consists of a series of adjacent sub-markets- defined by location, tenure form, dwelling type, and price/rent - rather than one unitary market***. Each sub-market has its own supply and demand rules, which affect adjacent sub-markets but not the market as a whole. To give an obvious example, increasing the amount of social housing has little impact on those interested in luxury homes, and vice versa. But ***increasing secure moderate income rental may dampen demand for moderate income homeownership***, and also increase rental options for some lower income households (but not very low income households). If you increase the supply of market rental housing aimed at moderate income earners, the vacancy rate may increase, which can modify rent increases due to increased competition in relation to demand. And at the moment, moderate income rental is much more affordable than moderate income homeownership. ***It is easier and less disruptive to the economy to grow the moderate income rental market than to intervene to decrease moderate income home prices to an acceptable level of affordability.***

The senior housing policy officer in Vancouver has a goal of a relatively low rental vacancy rate of 3%, usually considered a 'landlord's dream', and that is the current rental vacancy rate in Portland. Vancouver's rental vacancy rate is now less than 1%, which does suggest considerable latent rental demand. Similarly, Melbourne's rental vacancy rate is at a historic low of 1.5%, and Toronto's rental vacancy rate is 1.1%, the lowest it has been in 16 years. ***Anything federal and state government can do to rapidly increase built-to-rent will assist in both rental and homeowner affordability***.

Secondly, while there is an increasing rate of institutional investment in Portland apartment building construction, ***the level of speculative 'flipping' of units (assisted of course by capital gains tax exemptions) that is seen in Melbourne or Vancouver condo units, does not occur in relation to Portland apartment buildings***. Institutional investors in apartments are looking for slow and steady rates of return, not windfall profits or offshore money parking, as is the case for individual condominium units.

Third, a critical mass of moderate income private sector renters can lead to ***advocacy for improvement in the collective rights for renters***. We have seen how in Vancouver and Melbourne, the second-tier government has recently moved to improve tenant rights in relation to security of tenure and rent increases. In Portland, where there is an even higher proportion of tenants than those two cities, landlords must compensate tenants for relocation costs if their lease is terminated, and the movement for rent control and a state-run body to hear rent increase and eviction appeals is growing.

The impact of a strong rental construction sector has flow on impacts mentioned by several Portland informants. Michael Parkhurst from the Meyer Memorial Trust mentioned that the acute construction labour shortage caused by a strong apartment building market, is fuelling renewed interest in pre-fabricated modular housing. The senior housing policy officer at the Portland Housing Bureau says

Anyone earning 80% AMI or more, while they don't necessarily live where they want, they can find an affordable home up to an hour's [public transport] commute from the central city in the metropolitan area. That's why we focus on 60% and less.

If private market developers, with some minimal steering through better tax and investment opportunities, can move from condominium to purpose-built moderate income rental in Melbourne, this would free up ***policy bandwidth*** to focus national, state and local attention on the lower income households most in need.

TAP TURNER 2

A Successful Advocacy Partnership 'Wakes Up' State and Metro Government

When asked about 'what has changed' since 2015, all five interview participants were unanimous: the Oregon State and Metro Portland Governments are invested in affordable housing in ways that were hitherto unimaginable. In 2015, I interviewed a key actor in the Welcome Home Coalition, a Portland advocacy coalition consisting of over 40 affordable housing providers, homelessness services, and anti-racism groups. They, along with the more established and mainstream Oregon Housing Alliance (which includes several local governments as well as philanthropies like Habitat for Humanity) were working to increase state financial and regulatory measures. With a new Democratic Governor in 2015 who was more engaged in affordable housing issues than the previous (Democratic) Governor, the State Government embarked on an ambitious new strategy informed by this advocacy research.

Like the BCNPA/VanCity research on affordable housing need, Welcome Home produced easy to understand data on housing need:

*For families with incomes below 50% Median Family Income (about $35,000 for a family of 4) the Portland metro area is short more than **63,000 affordable rental options**. For every 5 'very and extremely low-income' families, there are only 2 affordable housing units. Where do the other 3 families live? The drastic shortage of affordable housing options is the reason kids get bounced around to different schools with every rent increase. It is the reason too many of our aging parents can't afford basic needs like medication and groceries...*

It then drilled down to particular State tax revenues that could be either created or re-purposed for affordable housing: a new construction excise tax, equivalent to 1% of the value of a permit, that local governments could apply to affordable housing construction, extending short term lodging taxes to AirBNB and other intermediaries and using that revenue to support affordable housing, and allowing local governments to issue bonds and implement inclusionary zoning.

The Oregon State Government, like the BC Government listened to ***an advocacy coalition with good data and a suite of reasonable solutions.*** Like the BC Government (but unlike the Victorian Government), the Oregon Government started its work with transparent information on housing needs that would inform its goals and targets. In 2015, it estimated ***103,000 'missing units'*** for extremely low income households earning less than 30% of AMI across the state. While there was also a large shortage for low income households between 30 and 80% of income, the housing need for moderate income households was largely met by supply of rental apartments. As well as income, size and type of household (that is, proportion of people with disabilities, people of colour, elderly, people with mental illness) were also calculated, which would help ensure appropriate social service supports attached to low income housing. Four of six interview participants referred to this estimate of housing need, suggesting that it has helped build a shared understanding.

Rather than immediately provide a strategy, the Oregon Government then began testing out various new revenue sources through a series of bills. In 2015, it provided almost $10 million for emergency housing out of general revenue, $2.5 million to preserve low-income housing (such as caravan parks), $40 million in bonds for new low income rental housing, and $20 million in lottery bonds for housing specifically for people with mental illness. In 2016, the legislative focus was on renter rights and the construction excise and inclusionary zoning enabling legislation for local governments. In 2017, two year funding for homelessness services was increased to $50 million, and state tax credit programs (as distinct from the federal LIHTC) were extended to 2026. A further $80 million bond went to new low

income rental housing, and a $25 million bond was issued for housing for people with mental illness. In 2018, a state Document Recording Tax was doubled from $20 to $40 and revenues assigned to affordable housing provision, which should provide $90 million over two years for affordable housing construction. Furthermore, a measure to allow local bonds to be used in combination with other funding to provide affordable housing, with NP housing providers allowed to manage the housing (instead of the local government), has gone to a referendum vote in the upcoming state election. Two more 'technical fixes' will support affordable housing: allowing NP to manage caravan parks and other temporary (non-fixed) housing such as modular or 'tiny homes on wheels', and allowing extensions of property tax exemption sunset clauses. ***All of these measures mean that $225 million have gone into affordable housing delivery from the state government over the past 3-4 years, with a projected additional $90 million through the Document Recording Tax***. While nowhere near as impressive as the Canadian or BC investments (or the Victorian State Government), the Oregon State Government's 'baby steps' approach does have the advantage of testing out new forms of ongoing revenue, rather than being treated as a one-off investment.

The final experiment from Oregon State Government is to allow local governments to implement Inclusionary Zoning. Thus far, the City of Portland is the only local government that has implemented it, in the end of 2016. The results thus far have been very modest: about 200 units, either constructed or in the pipeline, in the past 18 months. To some extent, the City expected a slow start, with dozens of development approvals (representing about a two year supply) crowding in towards the end of 2016 to beat the new legislation. But most interview participants in 2018 considered ***inclusionary zoning at best one of a suite of measures, not a magic bullet***.

During these three years, the state government has been engaging in consultations with local governments, non-profit and private developers, and other stakeholders. The goal is to produce a State Housing Plan by the end of 2018 (just after a new government is elected). The strategy is based on the elements previously discussed in relation to good policy:

» A ***solid needs assessment*** that can inform best use of investments, and ensure that particular sub-populations in most need are appropriately housed

» ***Layering and leveraging*** funding sources and subsidies to maximise impact

» ***Evidence on what policies and programs are working*** (part of the reason for the drip-release of mechanisms over the past three years)

» ***Partnerships***: within state government, between levels of government and with private and non-profit entities

» ***An implementation plan*** that includes monitoring metrics

It will be interesting to see what targets are provided in this plan, and also what further investment mechanisms are proposed. If Oregon wants to take on a deficit of 103,000 units over 10 years, the revenue streams released over the past three years will not be enough to meet these targets, without a change in US government policy.

Another layer of the remarkably complex governance system in Portland is also 'waking up'. In early 2015, Metro Portland was in the beginning stages of planning an Affordable Housing Summit, held in February 2016, but was otherwise not directly involved in affordable housing policy and delivery. But as was the case at the State level, new political leadership has emerged and with it, a new emphasis on affordable housing. The Background Report for the Summit listed a number of options, including inclusionary zoning, increasing accessory apartments and relaxing zoning in the 'missing middle', donating land as a basis for layered subsidies, and supporting land banking and community land trusts.

In 2016, the City of Portland successfully placed a ballot measure for a $250 million bond to finance at least 1,300 city-owned affordable housing dwellings over five years, which will be discussed below. In 2018, Metro Portland, swayed by the same Welcome Home advocacy coalition, has decided to 'go big or go home', with a ballot measure planned for November for a $650 million bond that would finance up to 3,900 dwellings in five years.

Metro Portland has begun with a needs assessment, which emphasises that the greatest deficit is with 'extremely' and very low income families (a 36,000 dwelling deficit) (figure 2). It will require local government plans with targets at various household income tranches, to receive Metro housing bond dollars.

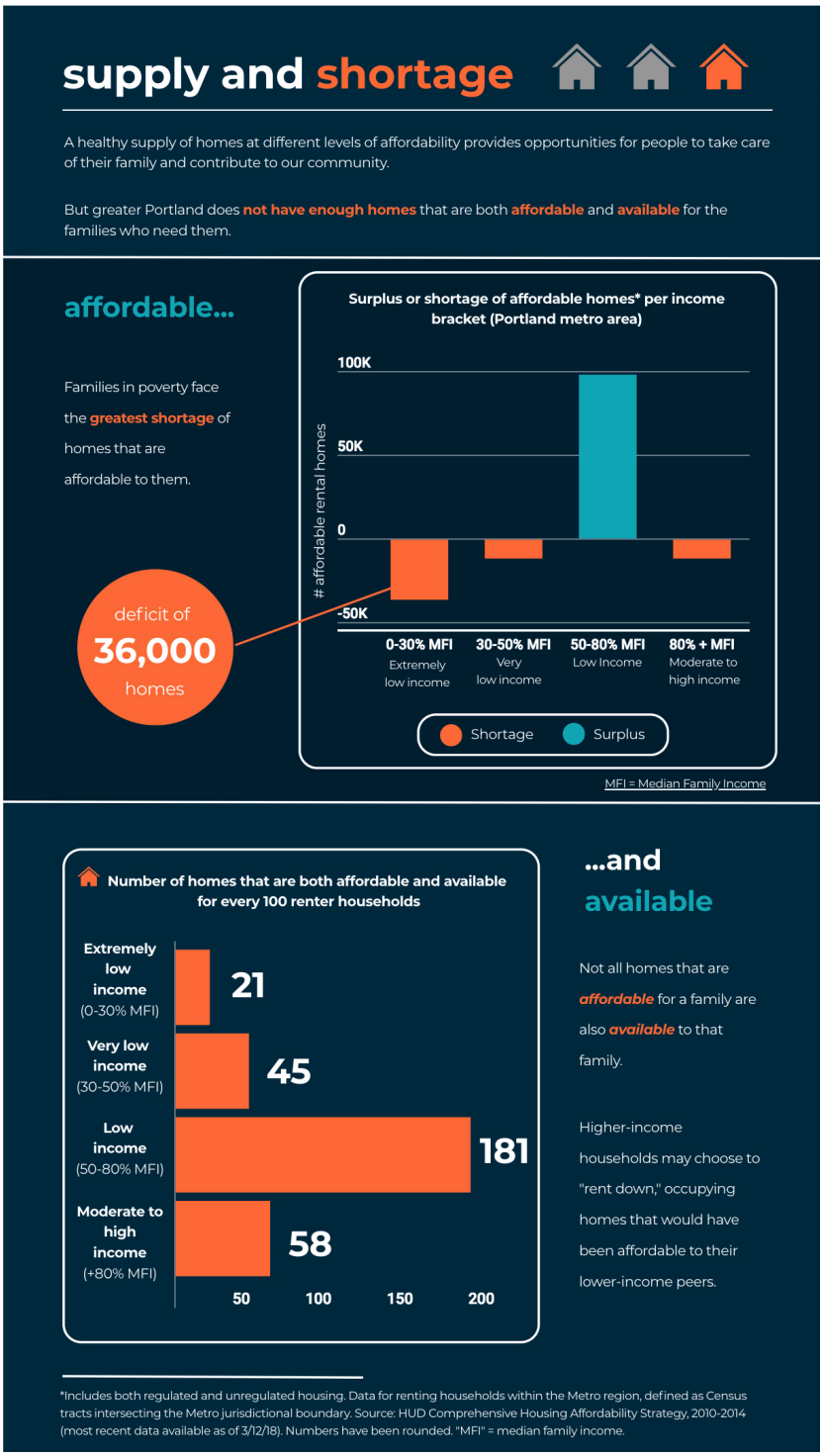

FIGURE 2. SUPPLY AND SHORTAGE OF AFFORDABLE HOMES, GREATER PORTLAND

The City of Portland, which is considerably more experienced than other municipalities in Metro Portland, is working with Metro Portland to rapidly skill up its neighbours, so that they can take advantage of housing bond funding:

> *It is the first time we have had all the jurisdictions in the room talking affordable housing together. Look, we have over 1,400 units in our [public housing] portfolio, a partnership with Homes Forward with a further 8,000 units, and then you talk to a place like Beaverton with maybe two projects in their town*
>
> (senior housing officer, Portland Bureau of Housing)

The area where Metro Portland can make the biggest difference, is linking an ambitious regional public transport strategy with nearby affordable housing, through leasing adjacent government land that is leased, rather than selling it at market rates. The question of 'free' leased land has not yet been addressed by Portland governments, and is a weaker approach than Vancouver. Where Metro Portland is better is in linking future funding with the development of local government targets and accountability, a potentially effective tool.

TAP TURNER 3

An Integrated Government-Service Partnership Focused on Very Low Income Households

As will be evident by the data above, Portland, which does so well in terms of moderate income housing affordability, has a crisis in terms of housing for very low income people. Portland undertakes 'street counts' of the homeless population every second year. In February 2017, 4,177 people were without secure accommodation, although 88% on that winter's night were in shelters. Vancouver has annual counts and in March 2018, there were 2,181 homeless people, with 70% in shelters. Melbourne only counts rough sleepers and it is difficult to find a shelter count. In July 2018 (again, in the winter), there were 392 people sleeping outdoors, but over 105,000 people access homelessness services each year. Toronto has not released a homelessness count since 2013, when there were 5,163 people sleeping on the street and in shelters.

In 2015, six of seven key housing actors interviewed were working on the development of the next phase of a homelessness action plan, ***A Home for Everyone***. This partnership was co-led by Multnomah County, the layer of government which provides social services, and the City of Portland Housing Bureau, which had experience in low income housing development. Three years later, the partnership is now formalised as a Joint Office for Homeless Services, which coordinates support services provided by all levels of government and charities.

One tap-turner used by the Joint Office was to have Portland declared a '***homelessness state of emergency***' in 2015, a measure which was extended in 2017. This US policy tool has also been used in Seattle and Los Angeles. It allows local governments to re-allocate funds into homelessness initiatives, and also allows expedited approvals processes for shelters and low income housing. The City of Portland has re-allocated $50 million in the past three years to the Joint Office, and the Multnomah County has allocated a further $30 million.

While the priority has been long-term accommodation, the amount of shelter beds have been doubled, to over 2000 beds, with much lower case management protocols (e.g. shelter users used to be required to be tested for drug and alcohol use, a federal regulation). There is considerable emphasis on homelessness prevention; for instance, people coming out of incarceration getting leases and appropriate services, and increased emergency rental assistance.

The 'Housing First' approach to shelter beds has also been extended to self-built 'villages' by and for homeless people, such as Right2DreamToo. These communities have tiny houses, with materials and labour often donated by community members as well as sweat equity. As would be the case with any informal community, the question of whether and how to provide hard infrastructure such as electricity, hearing, water and sewerage is still vexing the Joint Office, who see these are temporary housing, much like shelters. They have not considered the Vancouver approach, which is to add infrastructure to transportable and modular housing, and treat them as 'legitimate' housing options.

The biggest challenge throughout the US, where families who have two full time earners on minimum wage still can't afford below market rent and about 100,000 Section 8 vouchers have been lost from the system in the past 5-6 years, is the gap between market rents and low incomes. This is an ***income inequality*** issue that affects housing, as the biggest expenditure of lower income households. Marc Jolin, the Director of A Home for Everyone, explains:

> *The reality for our providers is that to the extent that they are reliant on private market housing – and that is the majority of units available – you need more money. So our money goes to higher deposits, higher rent levels… We are paying locally for what HUD [US Department of Housing and Urban Development, funder of Section 8 vouchers] used to pay for… We provide some rent assistance for few months, and then we hope they will be able to cycle off assistance. What the additional funding can't do is make up for the loss of permanent deep subsidy*.

Even in the case of seniors on fixed incomes who are trying to get into LIHTC rent-controlled housing, "***rents at 60 or 80% of AMI are not affordable or even in reach of folks with long term disability***." So the Joint Office provides additional rent subsidy – "***that comes to $7,000 a year for the average household. Shelter beds cost $10,000 a year***," and living in shelters lead to increased health service costs, which the County must bear.

It makes economic sense to provide rent subsidy for private market apartments. It makes even more sense to scale up permanent NP housing units by focusing subsidy in that sub-market. The City of Portland has a plan to add 2,000 supportive housing dwellings over the next 10 years, which is openly acknowledged as grossly inadequate by both City and County informants. The problem, according to the Portland Housing Bureau, is that targets can "***become a trap, because we don't have the funds to set goals. We do it the other way: here's what we can reasonably expect from the funds***." The problem with that approach is that non-ambitious targets become a trap of their own, limiting the search for game-changers.

In the case of the Joint Office for Homelessness, even with State government support, it is difficult to bridge the gap between these tap turners and those in the greatest need. As seen in Figure 2 above, the greatest need is for housing affordable to those earning 30% of AMI. But most federal programs, including LIHTC, are aimed at 60% AMI, which is beyond the means of very low (or no) income households. REACH, the largest non-profit housing provider, is sometimes able to get vouchers attached to its LIHTC projects: 42 vouchers specifically for war veterans and their families in Gray's Landing, a 200 unit building adjacent to light rail where REACH's offices are located. It isn't as though there isn't a need for well-designed and well-located family housing. But these units do not necessarily help prevent growing homelessness, and are perhaps less needed in a city with relatively good rental affordability.

Almost half of the 1,300 units that are expected to be built or purchased using the Housing Bond are set aside for those households earning 0-30% AMI. The Portland Housing Bureau has thus far used these funds to purchase an existing 264 dwelling apartment building needing extensive renovation, as well as property for new developments. Unlike the City of Vancouver, Portland must purchase government land for affordable housing at its appraised value, a source of considerable frustration to the Housing Bureau informant. In general, Portland's 'commissioner' system, with elected representatives running various departments, was seen as a barrier to innovation by a number of informants.

The great achievement of the Joint Office is also, perhaps, its greatest weakness. It has created sustainable partnerships, integrating bureaucracies and developing services in conjunction with the health care, criminal justice, federal army veterans, and even businesses. One of the remarkable aspects of Portland is that the Business Alliance supported both the City and Metro bonds, despite it leading to higher property taxes, and the Oregon Housing Alliance worked with the Realtors Association to bundle the document recording fee increase and a first time home buyers' grant into one successful bill after both failed as single bills. Almost everyone I interviewed in 2015 was in the same job as 2018, and almost all of them had between 10 and 20 years in the affordable housing sector. Portland's culture appears to value consensus and stability. The downside is that radical 'game changers' are hard to find.

TAP TURNER 4

Data Transparency and Cost Efficiency Innovation

As discussed in the 2015 report, Portland is renowned in planning circles for its Complete Neighbourhood mapping as part of its long term Portland Plan. The maps provide data on walkable access to public transport, parks, schools and shops, and are the inspiration for the '20 minute neighbourhood' concept within *Plan Melbourne*. The *Portland Plan* prioritises transport and social infrastructure development in areas with poorly served but affordable housing, and prioritises affordable housing development in areas that are infrastructure-rich.

Like other US cities, Portland has used Tax Increment Financing (TIF) to support infrastructure development, particularly new light rail (tram) lines. The City raises bonds, based on the increased property tax value after the redevelopment of a neighbourhood (which could include rezoning from industrial to residential, new multi-family buildings, and improved amenity and services). The City then repays these bonds over 15-25 years. As part of TIF, the City of Portland sets aside 30% of increased property tax value towards funding affordable housing as part of its infrastructure development.

This program, instituted in 2006 after local affordable housing advocacy, has been a big success, due to strong market interest in urban renewal infill housing. ***Between 2007 and 2015, approximately $275 million in additional property tax was set aside for affordable housing.*** However, even this amount of funding was not able to meet the shortfall necessary to meet the needs of those households earning less than 30% AMI. In 2015, as part of the declaration of homelessness emergency, the proportion set aside for affordable housing was increased to 45%, and this has increased available revenue for deeply affordable housing from ***$16 million in 2015 to a projected $95 million in 2018*** (assisted by a recovering housing market in Portland).

The City's annual State of Housing reports offer breakdowns of current rents and housing prices, broken down by neighbourhood, income level, type of household and race. There is a ***locational lens*** governing all affordable housing development, focusing on areas which have little or no affordable housing, where risk of displacement is high due to urban renewal, and ***'high opportunity' areas where the provision of existing or planned public transport, schools and services is good***. Each neighbourhood has annually reviewed housing targets for all income levels and household sizes. Any developer, whether NP or private, receiving direct or indirect subsidy must make public the cost and revenue behind its affordable housing development (example here).

The focus on ***racial inequality in relation to affordable housing*** is quite different from the discussion in Vancouver (or Melbourne), where indigenous community needs are (minimally) discussed, but the needs of other racialized populations are not often considered. Partly, this is due to a tradition of US institutional racism in relation to mortgage financing, wherein particular neighbourhoods with a higher concentration of people of colour – such as Albina in Portland – did not have access to conventional mortgages. This practice, called ***redlining,*** influenced mortgage practices from the 1930s until 1968 until it was banned by the Fair Housing Act. However, its legacy still persists, exacerbated by lower wages and educational outcomes of African-Americans, Hispanics, and Native Americans.

Proud Ground is a non-profit community land trust which develops ***shared equity homeownership***, a scheme also being trialled in Melbourne. Simply put, a prospective homeowner buys a share of property, with a subsidy (or another share, including the land) remaining in the hands of a NP. When a homeowner sells the property, they receive a pre-determined share of the sale price (which is kept at affordable levels), and the community land trust receives the rest, which is then ploughed into further land acquisition and home construction. Proud Ground prioritises first time homebuyers from racial minority backgrounds, who have not 'inherited' house wealth from parents and who may not be able to afford a conventional down-payment. The land trust does not receive TIF or Housing Bonds, which are sequestered for rental development only. They do receive state and federal money aimed at affordable homeownership. Proud Ground is a relatively small NP, having provided 280 homes in the past 20 years, mostly aimed at the 60-80% AMI household income tranche (where there is a disproportionate number of families of colour). They are partnering with Habitat for Humanity, an international charity, to provide some housing for families at the 30-50% AMI tranche, which involves a level of ***sweat equity*** in construction (assistance from the families who are purchasing the property). For instance, a current condominium project has a total of 51 units: 12 at sales prices affordable to 30% AMI (means tested and with a requirement of 50 hours of sweat equity), 12 at 60-80% of AMI, eight at 80-100% AMI and 19 sold on the market to create cross-subsidy.

Aside from the advocacy partnerships already discussed, the philanthropic investor Meyer Memorial Trust (MMT), who directly invests in affordable housing, has been a leader in supporting affordable housing innovation. At the time of the first set of interviews in early 2015, all participants were engaged in advising a MMT report on cost efficiencies in affordable housing. There was a general consensus that "*death by 100 regulatory cuts*", to quote one interview respondent, was hampering innovation in Portland.

The Cost of Affordable Housing in Oregon report, which came out in late 2015, summarised ***a set of factors which impact affordable housing costs in all four cities***. First, affordable housing projects tend to be small, complex deals, involving multiple sources of funding from government and philanthropic sources, all with their own funding and reporting requirements. For instance, unionised construction labour, often from minority-owned companies, can be more expensive, but it is required as a part of the 'social' mission of publicly funded affordable housing. Second, the search for long term affordability often drives a different set of priorities, such as better energy efficiency, which create up-front costs. Third, affordable housing can prioritise service delivery and amenities not found in market housing (particularly supportive housing for very low income households that have mental or physical disabilities), and this has space as well as funding implications. Recommendations echo elements of this report, including ***prioritising NP development for long term affordability, bundling assets so that reserve capital does not get locked up in individual projects, and buying up existing NOAH properties in a land trust type model as alternatives to new construction.*** MMT has gone on to fund five pilot projects that use modular and tiny house construction to explore scale-able models. The caution that Michael Parkhurst from MMT makes is that there is no 'magic bullet' found in their considerable research: the trade-off between efficiency and quality is real. This has not stopped MMT from its current Ideas Challenge: how best to provide one million months of affordable housing?

MMT is also exploring an Affordable Housing Real Estate Investment Trust (REIT). According to Michael Parkhurst:

> *The idea is to buy up some existing market rate housing at the end of being affordable, improve it if necessary, and hold the rents down… The idea is that Meyer would seed this, as an investment, with something in the range of $25 million, matched with another $75 million of private funds.*

To conclude, Portland is "***all about partnerships***", according to several interview informants. Successful advocacy partnerships have identified and created new sources of funding, in the face of considerable federal government uncertainty. Not only are cuts to corporate taxation threatening the Low Income Housing Tax Credit, but uncertainty about Medicaid has harmed efforts to provide supportive housing for very low income and vulnerable individuals and households. The City of Portland and Multnomah County, assisted by a strong network of small non-profit providers, anti-poverty advocates, and the Meyer Memorial Trust, are no longer the sole torchbearers for affordable housing. However, the level of innovation and optimism seen in Vancouver is not yet present in Portland.

4.

TORONTO:

A CONTINUING CAUTIONARY TALE

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Three years ago, Toronto was already a cautionary tale for Melbourne. Since then, things have gotten much, much worse.

This is partly the legacy of two truly disastrous decisions by the Ontario Provincial Government 20 years ago. Toronto had a thriving metropolitan government from 1953 to 1997. But like Melbourne, Toronto underwent a forced local government amalgamation by a right-wing second tier government which saw the province take over metropolitan planning functions. The City of Toronto grew from 650,000 to 2.5 million people, including inheriting some local governments with much lower property tax bases and much poorer people, due to gentrification-induced displacement that had occurred since the 1960s.

What is worse, when federal government downloaded affordable housing policy and provision to provinces, the provincial government in turn, directly handed over a large stock of aging and poorly maintained buildings to the City of Toronto. Overnight, the City of Toronto became the third largest public housing landlord in North America, after New York City and Chicago. And like those cities (and Melbourne, to a lesser extent), Toronto found it impossible to maintain aging public housing stock (most units between 25 and 55 years old by 2000) on the base of very limited revenue sources. A 2015 report warned that without major capital investment, 91% of the 60,000 dwellings in Toronto Community Housing would be in poor and critical condition by 2023.

In Toronto as in Vancouver and Portland, my research was informed by conversations and email correspondence with several housing researchers and activists (Dr. Greg Suttor, Wellesley Institute; and Professor David Hulchanski, University of Toronto). Six formal interviews were conducted with:

» Senior housing policy officer, City of Toronto (different person to 2015)

» Senior housing policy officer, Ontario Government (same person and role as 2015) – declined to sign consent form and be quoted

» Derek Ballantyne, Managing Director, New Market Funds and Chair, Canada Mortgage and Housing Corporation (same person as 2015, new role)

» Michelle German, Senior Lead, Policy and Partnerships and facilitator of the Housing Action Lab, Evergreen Foundation (same organisation as 2015, new person in role)

» Senior housing policy advocate, social housing (different organisation from 2015)

» Senior director, private sector affordable housing provider (same organisation as 2015, different person)

This chapter will be shorter than others and will discuss the lack of leadership: from the central city and provincial governments, but also from non-profits, investors, researchers, and coalitions.

DISASTER 1:

Lack of Local Government Leadership

In the early 1970s, David Crombie, a Conservative mayor, presided over the development of Canada's largest urban redevelopment project, St. Lawrence Neighbourhood. Fifty percent of this downtown adjacent site was reserved for social housing in this walkable community of 10,000 people, with two schools, a recreation centre and nearby inexpensive groceries. St. Lawrence was part of the City of Toronto's 1973 ***Living Room*** strategy, which undertook aggressive land and property banking in well-located central city areas that were already showing signs of gentrification.

This innovative thinking was sorely lacking in the succession of mayors associated with both Conservative and New Democratic parties after the 1997 amalgamation. One exception was an ambitious public-private redevelopment of Regent Park South, Canada's first major public housing estate, from 2005 to 2010, replaced over 2,000 units of badly aging dwellings with smaller sized units and also provided a renovated school, a new sports centre, an arts centre, and a community health centre. It is claimed by the developers that 465 jobs were provided in the new shops and social infrastructure. The price of working with Daniels Corporation, a private sector redeveloper (albeit one led by a former social housing developer who is a strong advocate for affordable housing), was 3,000 market condominium units, including an unclear number that were provided at below market (but still unaffordable) prices.

Unfortunately, the planned evaluation of this flagship public housing renewal project never occurred, due to a change of local government in 2010, followed by the immediate dismissal of the then-head of Toronto Community Housing, Derek Ballantyne. The new mayor, Rob Ford, attempted to sell off public housing to private developers, with no provision for affordable housing. This attempt was unsuccessful and public housing continued to be neglected for eight more years, until a recent decision to sell off 800 'scattered' central city units (mostly houses, including rooming houses) to NP housing providers, including co-ops and a new community land trust.

The City of Toronto focused on the Close the Housing Gap campaign, aimed at getting more federal and provincial funds to repair existing public housing and provide continuing housing subsidy, from 2012 until the election of the current federal government. But in the meantime, there was little in the way of innovative local government policy to meet the needs of citizens, much less influence other scales of government.

Unlike Vancouver and Portland, Toronto informants could not agree on a definition of affordable housing, much less a sense of the 'missing quantum'. The private sector developer, who provide (in their own words) mostly "***shallow middle [income homeownership for] the people who could probably graduate from rental***", says that "***the definition changes depending on the location***", while the NP representative says "***each [NP project] is governed by an operating agreement from different legacy programs… new organisations are looking at 80% of market rent***" and the City of Toronto goes further, saying "***no more than average rent in Toronto***".

Derek Ballantyne has been in affordable housing for 25 years, and remembers the moment in the 1990s when

> *The Federal Government… allowed Provinces to set criteria. The Province came back with this definition [of affordable housing i.e. 80% of market rental rates]. Sure, maybe it will help some key workers. But from a public policy standpoint, if you are putting these amounts of resources into such limited results… Clearly 80% of market [rent] in a market increasing by 3-4% a year doesn't make much sense.*

When asked about missing quantum, the Toronto local government senior housing policy person did not provide an answer. But Toronto's 10 Year Affordable Housing Action Plan 2010-2020 discusses 640,000 individuals in need of some form of housing assistance as of 2009. Despite annual reports, targets are unclear, partly because there is no nuanced understanding of the needs of various household income groups and essential mechanisms to meet these needs. According to Derek Ballantyne, the National Strategy is beginning to engage in creating tenure targets, including the amount of NP development needed to maintain permanent affordability, and the amount of market rental that would be required to get vacancy rates to a point where that market "***behaves rationally***". He also point out that targets need to start somewhere in order to create sustainable systems:

> *If we could crack 5,000 [social and affordable] units a year [in Toronto], it would still be insufficient, but it would set up some systems.*

Toronto and Vancouver, of course, have the same federal government. But the reaction in Toronto to the National Housing Strategy is one of frustration, rather than opportunity. The City of Toronto is concerned that the new plan will mean "***we've lost the autonomy to make local decisions based on our local knowledge***". Despite the fact that the former head of Toronto Community Housing (Derek Ballantyne) is now the Chair of the CMHC, the concern is that the plan, with its investment in NP providers, is a "***step backward***". Similarly, another informant complained that "***people are designing the [federal] policy without understanding the economics***" (a rather remarkable claim, given that the Head of the CMHC, Evan Siddall, is a respected economist). Unlike the partnership and mutual learning approach being discussed by Vancouver respondents, key Toronto respondents seem to see themselves as victims.

Because of absence of any political support or vision, the City's Affordable Housing Office works primarily with private sector developers. In one arrangement, the Province is releasing 32 hectares of formerly industrial publicly held waterfront land, the West Don Lands, to private developers, in return for 10% of units at 40% of market rent for 99 years. That is 600 units at the projected build out of 6,000 dwellings with a monthly rent of a little over $1,000 for a two bedroom unit, which would be affordable to a household with an income of about $39,600 a year, or a little over 50% of AMI. Toronto Community Housing has already opened a 243 dwelling development in the area to provide some of the dwellings. The area is projected to have two childcare centres, one primary school, a recreation centre, ample parkland and public transport, so is very suitable for affordable housing. But the maximum shelter allowance under provincial welfare, Ontario Works, is $632 for a two person household, and $683 for a three person household, so these units are certainly out of reach for very low income households, even those lucky or long-lived enough to survive what was a 90,000 household waiting list in 2013.

Because Toronto local government has pursued primary private sector responses, they are the largest provider of 'affordable housing', but the private developer supports a reduction in the number of City of Toronto councillors as one way to "***reduce the time spent trading favours***" and says about Ontario local governments in general that "***they lack understanding***". The non-profit respondent goes further, saying "***If I were trying to develop now, I wouldn't even try the City of Toronto. It is brutal here*** [in comparison to suburban local governments]." Recently, one NP provider was able to obtain a property tax exemption, but Toronto has "***been in so much turmoil, it has been hard to have some decent policy***". The City of Toronto is not only not leading change, it is seen as a laggard in relation to suburban municipalities.

DISASTER 2:

Lack of Provincial Government Leadership – and of a Strong Advocacy Coalition

In 2015, the senior provincial housing policy officer I spoke to was blunt, saying "***there is no one steering this [housing policy] ship***". In 2018, I spoke to the same officer, but off the record. However, there were other respondents who were happy to provide comments on the previous Ontario government (a new provincial government had been elected two weeks earlier).

Over 15 years of a left-of-centre provincial government, according to the NP advocate:

> *They made all these platitudes about caring for affordable housing, but when there was vacant land available, they asked market price. I don't think the Liberals wanted any affordable housing…. [unlike BC] Ontario hasn't had [knowledgeable policy staff] since 1998… There are 47 service managers [local governments with housing authorities] in Ontario and maybe 10 of them know what they are doing and have policy staff… Most of them don't know how to create or maintain affordable housing… And [the Provincial Department of] Municipal Affairs and Housing? Zero understanding.*

Derek Ballantyne adds:

> *The provincial level has definitely been the slowest to respond [to new affordable housing opportunities]…. Ontario had a 15 year window where it matched federal dollars but wasn't engaging in any way. Seven ministers in five years. There was nobody taking it on in the government. And frankly, I blame us [affordable housing actors]. We were ineffective as a group in moving the issue forward.*

As was the case in BC, the non-profit housing association and co-operative housing body collaborated on an Affordable Housing Plan as part of the 2018 election campaign, which aimed at meeting the needs of 643,000 households in a province of 13.6 million. But unlike the BC Coalition's alliance with private rental landlords and the Vancouver Board of Trade, or Portland's Welcome Home Alliance, who won backing from the Portland Business Alliance, this report did not get wide media coverage, business support, or win over any political parties.

Which brings us to the GTA Housing Action Lab. This is a deliberative planning action research project, funded by the provincial government, promoting innovative housing solutions to Greater Toronto. It has over 20 partners, including the private developers and home builders' industry bodies, non-profit developers' industry bodies, architects and designers, community groups, several local governments (including the City of Toronto), the provincial government, and research institutes and universities. In 2015, it was newly formed. By 2018, an evaluation for the provincial government described projects and reports very similar to Transforming Housing, including a map of government-owned sites suitable for housing development, a pro forma model so that local governments and non-profit providers could examine the efficacy of various incentives to provide affordable housing, work on leveraging assets in social housing, and options reports on unlocking the 'missing middle' for better located housing. But bringing key housing actors has not led to substantive change, particularly at the provincial government level (who funded the project but did not seem to engage in products). Unlike Transforming Housing, this work was not informed by a working definition of affordable housing or a sense of a missing quantum. The GTA Lab informant conceded: "*I don't think we have consensus in the Housing Lab on what affordability is*".

The Provincial Government's ***Long Term Affordable Housing Strategy***, originally published in 2010 and updated in 2016, provides $178 million over three years, mostly in increased subsidy for low income households. There was no definition of affordable housing and considerable discussion of 'local autonomy' in uses of funds. The targets were modest: helping 4,000 families through $100 million in housing subsidies, and another 3,000 women and children escaping family violence through a much smaller $17 million subsidy. It had its own consultation process and did not refer to the Housing Action Lab's research or work. It is not clear whether this strategy will survive the change in government. Similarly, the 2017 update of the 2006 ***Growth Plan for the Golden Horseshoe***, a plan for Greater Toronto and the surrounding network of mid-sized cities, did not cross-reference either the ***Long Term Affordable Housing Strategy*** or the GTA Lab work. The GTA Lab is not explicitly referenced in the joint co-op and non-profit ***Affordable Housing Strategy***.

Are there any signs of hope in Toronto? Several of the informants spoke about Google Corporation's Sidewalk Labs, already operating in New York City, who are trying to develop a 'smart city' community in another Toronto waterfront development, Quayside. This public-private partnership, which brought together the political leaders of the federal, provincial and local governments at its launch last year, will rely on 'radical' mass produced and adaptable modular housing and an absence of traditional zoning to provide a mix of residential, commercial and 'maker' spaces. But there are no affordable housing targets. The verdict so far from the NP informant (who has been involved in the 'visioning process') is

> *They are used to working with [US] tax credits and systems that are in place. They come here and discover there is nothing. There is a provincial government with no policy, a leadership vacuum, a National Strategy that might work…*

The GTA Housing Lab informant, while saying the legacy of its work is "***collaborative infrastructure and relationships between people***", is looking to the federal government to lead innovation in Toronto. The biggest opportunity is "***land… and I think the [federal] government can say 'Here's land and this is exactly how we want you to use it.' You don't need the province to do that***." There are also "***churches, community centres, agencies***" that can directly partner with social investors (VanCity has recently opened a branch in Toronto).

Finally, several informants in both Toronto and Vancouver mentioned a new coalition of non-profit housing providers called The National Housing Collaborative. Perhaps the federal government, through its operating agreements with provinces, and directly with housing providers, can start the change process in Canada's largest city.

5.

CONCLUSION:

WHAT DOES A GOOD HOUSING SYSTEM LOOK LIKE?

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Transforming Housing has recently used the Victorian State Government's new definition of affordable housing to calculate a deficit of ***164,000 dwellings for lower income households*** within a 5.7 million population. As this report shows, the less populous second tier governments in Vancouver (BC – 4.6 million people) and Portland (Oregon – 4.1 million people) have similarly calculated deficits of over 100,000 homes. The question must be: ***how can we as societies address these deficits, before they contribute to more homelessness and human misery? How can governments, private and non-profit housing developers, investors, and researchers work together to make healthier and more liveable communities?***

This report has focused on four cities, all with onerous housing affordability pressures. While no locally based initiative has completely solved the problem created by decades of federal government inaction, increasing income disparities, and neo-liberal reliance on market solutions that clearly do not work, there are stark differences in outcomes between the four cities.

Vancouver has scaled up affordable housing production to a point where the needs of very low income households are beginning to have needs met***. It produces 15 times the amount of social and affordable housing per capita as Melbourne.*** It has now turned to problems facing low and moderate income households. Portland, in some ways, has the equal and opposite problem: relatively affordable to moderate income households, it is struggling to meet the needs of its lowest income residents. Even with much more limited interventions, ***Portland has produced six times the amount of social and affordable housing per capita as Melbourne***. Both cities have been able to provide well-located and appropriate housing, aligned with local services and infrastructure.

In this report, I have used interviews and policy analysis to describe how ***affordable housing partnerships and systems*** work or do not. Vancouver and Portland show five elements of a functional affordable housing system, while Toronto is signally lacking in all five:

1. **A *solid needs assessment*** that can inform best use of investments, and ensure that particular sub-populations in most need are appropriately housed
2. ***An implementation plan*** that relies on a range of mechanisms that are appropriately funded
3. ***Layering and leveraging*** funding sources and subsidies to maximise impact
4. ***Evidence on what policies and programs are working*** through transparent annual reports monitoring progress towards targets
5. ***Productive Partnerships***: within local and state government, between levels of government and with private and non-profit entities

In Vancouver, an extraordinarily successful partnership of non-profit housing developers and investors have bundled their collective assets to the point where they can compete with the largest private developers. They have influenced local, provincial and federal policies, each led by different parties. The City of Vancouver has successfully partnered with provincial government to scale up housing.

In Portland, two advocacy partnerships – a more radical coalition of anti-poverty groups, and a more mainstream coalition of local governments and NP lobbyists – have worked together to generate change at the local, metropolitan and state levels. The City of Portland has successfully partnered with County service providers to scale up affordable housing for the most vulnerable populations.

Both Vancouver and Portland partnerships have won backing from major business groups who see affordable housing as a productivity and liveability issue. They have influenced political change.

In Toronto, partnerships have not yet been able to influence the public, local or provincial government, non-profit or private developers. While the Close the Housing Gap coalition and GTA Housing Lab both claim credit for getting more federal funding into social housing subsidy programs, the absence of a viable affordable housing system, and extremely poor local and provincial government leadership, means that more and more people are dying on streets waiting for social housing.

Without political influence, partnerships are merely talk-fests. Without policy outcomes, affordable housing research is merely words on paper.

There are ***10 policy lessons*** that can be gleaned from these three case studies.

Needs Assessment

First, the pre-condition for any of this work is a clear and shared definition of affordable housing that defines and prioritises the needs of *very low (below 30% of AMI), low (30-80% AMI) and moderate (80-120%) income* households. While the State Government of Victoria has provided its first definition of affordable housing, conflating all households with less than 50% AMI may lead to the production of social housing that is still well below affordable rent levels. It might be better to follow Vancouver's example, where there is further sub-categorisation. . When there is a clear and shared definition, governments, agencies, and people are all talking about the same thing when they are talking about affordable housing. ***This shared understanding is still somewhat lacking in Victoria, and the state government, advocacy organisations, and non-profit providers can do more to publicize and perhaps amend the recent definition, enshrined in the Planning and Environment Act***.

The next step, in Vancouver and Portland, has been a transparent mechanism to develop accurate models of ***housing need broken down for very low, low, moderate, and higher (over 120%) income households.*** Portland provides more information on household type and size (single parent families, older women and men, young singles aging out of foster care, racialized communities such as indigenous people, people with disabilities and mental illness) than Vancouver. ***This work should aim to develop a quantum of current deficits, as well as project housing need forward for at least 10 years*** (one housing infrastructure cycle). This should be done at the federal, state/provincial, and local levels, and can be supported by non-profit providers, investors and researchers.

Implementation Mechanisms

While it may be overwhelming to contemplate addressing large housing deficits, Vancouver has been well-served by setting ambitious targets and then creating new finance and regulatory mechanisms to achieve these targets. Scaling can save costs. ***Ambitious housing and tenure diversity targets should be set, with the priority being very low income households in housing stress and at risk of homelessness (e.g. enabling the provision of 470,000 units of lower income housing over 10 years in Victoria, to meet the current deficit and begin to address population growth).*** Ten year targets should be set at the federal, state/provincial and local levels and should align.

As is apparent from the cautionary tale of Toronto, it is hard to imagine how ***very low income households' needs could be met without relying on non-profit housing providers***. The advantages of supporting non-profits is that the housing, unless it is mismanaged or underfunded, is affordable for perpetuity, and public funds are not going towards private profits. The disadvantage, at present, is that NP housing is unable to meet the scale of housing need for 25% of households in Greater Melbourne who have very low incomes.

Supportive housing with services may be necessary for some very low income households: people with intellectual disabilities, people with mental illness, older people, women and children escaping violence. The challenge, therefore, is to find a suite of investment and regulatory mechanisms that can assist in building a strong and unified NP sector. The other challenge, and again it is worthwhile to consider the cautionary tale of Toronto, is that 100% very low income households cannot provide enough revenue, even with subsidy, to keep public housing well maintained without a large and continual subsidy. So supporting ***cross-subsidy through non-profit development is a sustainable mechanism for long term affordability.***

Turning to the large proportion (19%) of households with low incomes, social housing, private rental housing, or shared equity ownership, all with some form of explicit or hidden rental subsidy, will be necessary in Melbourne for many low income households to find appropriate stock. One goal might be scaling up a build-to-rent apartment sector supply to the point that there is a ***3% vacancy rate***.

Along with NP co-op housing, shared equity non-profit homeownership is another way to provide permanently affordable housing for low and moderate income households. ***Enabling cross subsidy of non-profit housing – whether rented or owned - for low and moderate income households (the latter currently constituting 20% of all households) has the benefits of building greater financial sustainability for non-profit providers a well as providing liveable communities where people can age (and accrue wealth) in place.***

Luxury housing for higher income households can also subsidize social housing. ***Vancouver's lesson is that all forms of housing must have targets*** and that ***an over-abundance of luxury housing may simply fuel speculation and drive housing unaffordability.***

Direct intervention to dramatically lower dwelling unit prices is not feasible and would, at this point, have negative impacts on the majority of households who live in owned homes. Having said that, the state government can and should do something to control runaway price inflation. Most direct levers belong to federal government (e.g. moving tax exemptions from negative gearing and capital gains tax exemptions to purpose-built multi-family rental and social housing). Aside from advocating to federal government for change, the state government should develop ***vacancy/ secondary dwelling taxes, luxury home taxes on properties valued at more than $1,000,000 (12.5X median median multiple), and foreign ownership taxes***, and direct these new revenue streams into affordable housing. As is evident from Vancouver and Portland, local and second tier governments must be imaginative in developing new revenue sources while they wait for national governments to take on the primary responsibility for this essential infrastructure.

Targets must be spatialised to local (neighbourhood, suburb, local government) levels. ***It is much less expensive to improve existing transport, health and social infrastructure in areas that have them, than to build new infrastructure (roads, heavy and light rail public transport, hospitals and health centres, schools and community services)*** in peripheral land under the rationale of 'affordable housing'. As has been evident in Greater Melbourne, these peripheral suburbs are neither affordable nor liveable without huge State Government subsidy for new roads, schools, health services etc.

All communities should have a mixture of incomes, because households have different needs and incomes throughout their lives and people should be able to age in place. Some local governments with excellent infrastructure and a poor legacy of maintaining affordable housing should be expected to take on a larger share. Pro-active neighbourhood planning that aligns new infrastructure with increased housing diversity should be the norm.

The State Government should also work with local governments to ***publish transparent and accurate monitoring data online, including annual reports on targets*** (income, size, tenure type; as well as specialised and supportive housing for specific groups). It should require local governments to make public and online a list of current public land holdings and also require all developers (private and non-profit) to make public and online costings of any form of subsidized affordable housing.

The State Government must provide a suite of finance and regulatory mechanisms to allow local governments to meet these housing targets, as well as scale up local government capacity in planning for affordable housing. ***Leasing appropriate and well located public land for social housing;*** including ***building above or adjacent to hospitals, schools, tertiary education, and transport lines (lazy land)*** is perhaps the most immediate and important mechanism state government can use to enable social housing. As was mentioned several times in Vancouver, ***public land is a community asset and protection of that common asset should be a priority.*** The State Government should prioritise arrangements that lease government land for a 'peppercorn' or essentially free rent.

The State Government should maximise the value of affordable housing subsidy and counter-balance out of control housing speculation by ***directly investing in social housing infrastructure*** developed by a ***strong and integrated non-profit, non-speculative housing sector.*** Through direct investment (including issuing housing bonds) and prioritising non-profit providers for government land, it can encourage ***mixed lower and moderate income developments on larger sites with a cross-subsidy model that ensures long-term viability with minimal government subsid***y. The State Government can ***guarantee construction loans and mortgages***; ***support the development of social investment institutions***; ***provide property tax and development charge exemptions for social housing***; and ***provide expedited approvals processes for rental and social housin***g. The State Government should also provide capacity improvements to the non-profit sector, encouraging them to bundle their assets and collaborate on bids for larger developments.

When it comes to low and moderate income households, the State Government should enable private developers to shift to a ***mass build-to-rent program***. As discussed in this report, 'hidden' subsidy is now overwhelmingly geared towards speculative homeownership. While the federal government needs to act on this issue, turning capital gains tax and negative gearing exemptions towards tax exemptions for purpose-built and rent-regulated apartments (which can be built by private or NP developers), the state government can do a great deal to rapidly build up this sector. The state government should promote ***the development of a multi-family moderate income rental sector,*** through supply-side mechanisms such as ***loan guarantees in return for rent guarantees, land tax and council rate exemptions (the latter assuming an end to rate capping), and disallowing conversion of multi-family rental buildings to condominium.*** State governments also need to improve demand-side issues such as security of private market rental as a housing choice, through ***stronger rights to long term leases***; ***limiting annual rent increases***; and ***more strongly regulating 'rent eviction'***.

State and local governments should prioritise curbing housing speculation and displacement of lower income residents from well-serviced areas through inclusionary zoning that ***dictates 20% very-low-income housing for every new development over 20 units or land/cash in lieu*** is a third mechanism. However, even with much more ambitious targets (20% rather than the 3-5% currently under discussion), this mechanism alone will never meet suitable housing targets.

Supporting ***accessory units (both 'laneway housing' and single family house subdivision) and 3-4 storey small purpose-built rental apartments*** in neighbourhoods with good infrastructure through a review of use of residential zones is another important mechanism to improve low and moderate income affordability and diversity in an aging society with smaller households.

Increasing Capacity and Partnerships

One of the keys to success in Vancouver and Portland is a purposeful affordable housing agency, that can increase the capacity of local governments, NP providers, private developers, and investors to scale up affordable housing.

A Victorian State Government Affordable Housing Agency would provide a clear state lead on developing and monitoring metropolitan and local targets, policy development and evaluation, coordination across multiple vertical levels of government (federal, state, local) and State government departments (including services for supportive housing, use of transport, education and health related surplus and lazy land), and could also assist non-profits and local governments in developing capacity and local policy to meet targets. This could be a role for a re-purposed Victorian Planning Authority.

One of the cautionary lessons from Toronto was that if government funds a deliberative research partnership but does not listen to its research, funding it is a waste of money. But the obverse is also true. If NP providers work together with investors to develop a political strategy, if they are able to tell stories and gather evidence, they can win over politicians, engage the general public, and dominate the media cycle. ***Partnerships are an investment worth making – they can be game-changers.***

Affordable housing has been in the 'too hard' basket for too long. ***The lesson from successful affordable housing partnerships is that rapid shifts are possible with the right suite of mechanisms and, most importantly, with the appropriate sectoral and political leadership***. Governments can and must steer housing markets to meet the needs of the majority. Partnerships can show how to do it.

6.

REFERENCES

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This report is intended to be read online. There are over 100 hyperlinks to publicly available research reports, policies and media coverage, for those who want to know more about particular initiatives.

This is not a highly theoretical paper. But for those interested in knowing more about the theory of deliberative partnerships and their impact on policy systems (from both laudatory and critical perspectives), here are a few key references.

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