

BRIDGING THE GAP

Understanding Market Acceptance of Affordable Housing Developments in the Lower Mainland

December 2021

Comfort and willingness to live with affordable housing
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Research results for VNHS, prepared
and written by Haskayne School of
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Executive Summary

As part of the MGST 615 course at the University of Calgary Haskayne School of Business, the VNHS (Vancouver Native Housing Society) had the opportunity to partner with a group of students to address some of its business objectives. This report reflects the process and outcome of that partnership.

VNHS has historically operated as a non-profit organization. With the increased demand for affordable housing plus the situation of its existing properties in need of redevelopment, they explored options to increase the supply.

After the students conducted a secondary research review and had many discussions with stakeholders at VNHS, it was deemed most appropriate to move forward with a survey of the general population. This survey would measure market acceptance to affordable or mixed-income housing developments, while also seeking to understand the perceived benefits or concerns, what kind of developments should be built, and who would be the ideal target tenants for VNHS.

A total of $n=433$ Lower Mainlanders were surveyed to determine the market acceptance of affordable housing developments in the area. From the results, it was determined, most are comfortable and/or willing to live in neighbourhoods or communities with affordable housing developments. The optimal development would include up to a 40% income-mix (i.e. different income than your own) to ensure the greatest comfort level among all tenants. Overall results are positive and there are not any major red flags or reasons to delay the creation of the NPHDC.

Engagement will be critical at the community level to address the concerns of crime rates, undesirable neighbours, parking. Those who are younger, live in Vancouver, are more politically progressive, educated, currently renting, likely to move into an apartment in the next 5 years, and are the most likely to be comfortable with an affordable housing development. More research and information will be needed to address people's willingness to invest in social purpose financing, but the original indication of openness is a positive first step.



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Background

Affordable Housing Demand

One in five Canadians are vulnerable to losing housing or are unable to support their housing needs in the current market. Governments, community organizations, non-profits and the private sector work together to provide affordable housing (About Affordable Housing in Canada, 2021).

Affordability, defined as ‘costing less than 30% of the household’s before-tax income’, is even more difficult to come by in British Columbia’s Lower Mainland, the region of focus for Vancouver Native Housing Society (VNHS). Vancouver was recently listed as the second least affordable market in the world according to the 2021 Demographia Affordability Survey (Cox, 2021).

VNHS' mission is to help to support those one-in-five that are at risk, and to “provide safe, secure and affordable housing for low-income Indigenous and non-Indigenous individuals and families in Vancouver” (Our Mission, 2021). The organization currently works with all levels of government and non-government partners to find affordable housing solutions. One of the approaches VNHS uses to find tenants is through the BC Housing Waitlist. According to our client contact MacLean, the waitlist is long and demand is high, so this is not something that needs to be measured.

Currently, VNHS operates 18 subsidized rental buildings (social housing) and one Artist in the residence building, which is a social enterprise (Organization, 2021). According to MacLean, many of these properties are not built to their highest and best use, and/or are becoming run down, suggesting there is an opportunity to redevelop, in order to better meet the affordable housing demands of the Lower Mainland.

The VNHS plans to start a development arm of its organization. The development business will operate as the Non-Profit Housing Development Corporation (NPHDC). The NPHDC needs market research to inform strategic decisions based on data-driven insights about affordable housing market acceptance, and the type of affordable housing configurations that should be considered for its development.



Research Problem

Determining Market Acceptance

As mentioned, there is plenty of evidence to suggest that affordable housing supply is low, and demand is high. VNHS believes that providing more affordable housing units is one of the ways to address this serious gap.

Therefore, it is essential to understand citizens' perceptions and preferences regarding the acceptance of affordable housing developments, to make decisions on the types of developments that should be built (Luu, Dao Chi, & Jeongseob, 2021).

To support VNHS, the student-based team from the Haskayne School of Business first conducted a background industry analysis. Additionally, our team continuously met with VNHS to identify what its key research scope and questions could be, based on the constraints of the semester timeline. Based on these discussions, five key research questions for this were derived to support VNHS with the NPHDC.

Key Research Questions

- 1. What is the market acceptance for affordable housing developments in the Lower Mainland?**
- 2. What are the concerns or benefits associated with affordable housing developments?**
- 3. What is an appropriate mix of affordable housing units for its next housing development?**
- 4. How far below market value should the affordable housing units be listed for?**
- 5. Who is most comfortable with an affordable housing development in their neighbourhood?**

The following report contains the research methodology, the key insights derived from the research, evidence-based recommendations, and the detailed research results addressing the questions above.



Methodology


To explore Lower Mainland residents' preference and acceptance of affordable housing, an online survey among $n=433$ Lower Mainland residents was conducted. Surveys were also sent out to members of the CHRA but given the limited number of completes achieved ($n=6$), these responses were not reported on. A literature review was completed in order to understand which variables, questions, or wording should be used in this survey, such as the use of measuring market acceptance of affordable housing using the variable *comfort* (Diamond & McQuade, 2019).

This research and report examines people's perceptions and comfort levels with affordable housing and mixed-income communities, the benefits and concerns, and preferences around the types of affordable housing developments.

In this report, results from the survey are summarized along with evidence-based recommendations, derived purely from the research for the VNHS NPHDC.

Detailed Methodology

The research was conducted online using the Survey Monkey survey platform from November 15th-19th, 2021 among a regional Survey Monkey sample of $n=433$ Lower Mainland residents ages 18+. The sample came from Survey Monkey's proprietary panel in which it manages directly. Panelists are provided with an incentive for completing the survey. Responses were balanced to represent the general population of the Lower Mainland based on gender and age as closely as possible. No other quotas could be set due to the limited sample in the region and budget constraints. No weighting has been applied. No margin of error can be associated with a non-probability sample (web panel in this case). However, for comparative purposes, a probability sample of $n=422$ would have a margin of error of $\pm 4.8\%$, 19 times of out 20. Because a non-probability sample was used with Survey Monkey's proprietary sample, the total number of invite emails sent to panelists are not available or provided by Survey Monkey. The response rate is recorded as 88% ($n=433$ completes/ $n=494$ (completes + disqualified + abandon) which is everyone who accessed the survey).

When appropriate statistical significance testing at 90% confidence was applied between subgroups and is indicated by this “  ” symbol.

Sample Demographics

The distribution of gender and age achieved in this sample is very similar to the composition of the Lower Mainland market. Marital Status, Education, Income and Employment are also similar to the general population with one notable variance. The respondents in this survey have 19% more full-time employees than the general public.

Details of these comparisons can be found in the Appendix.

Gender

50%
Male

50%
Female

Age

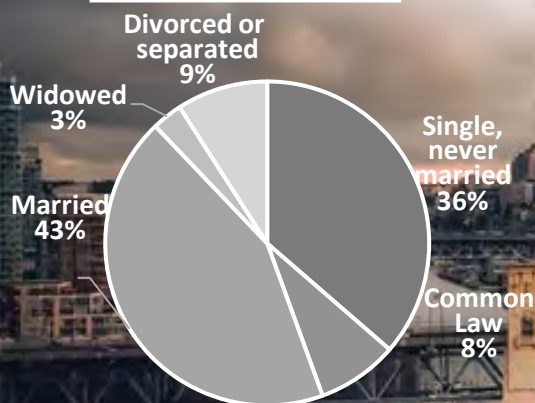
20%
18-29

34%
30-44

25%
45-60

21%
61+

Marital Status



Education



15%

Highschool
or Less



68%

Vocational, Technical,
Undergraduate,
Diploma, etc.



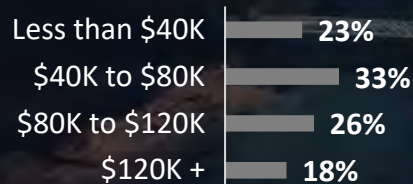
17%

Graduate +

Employment

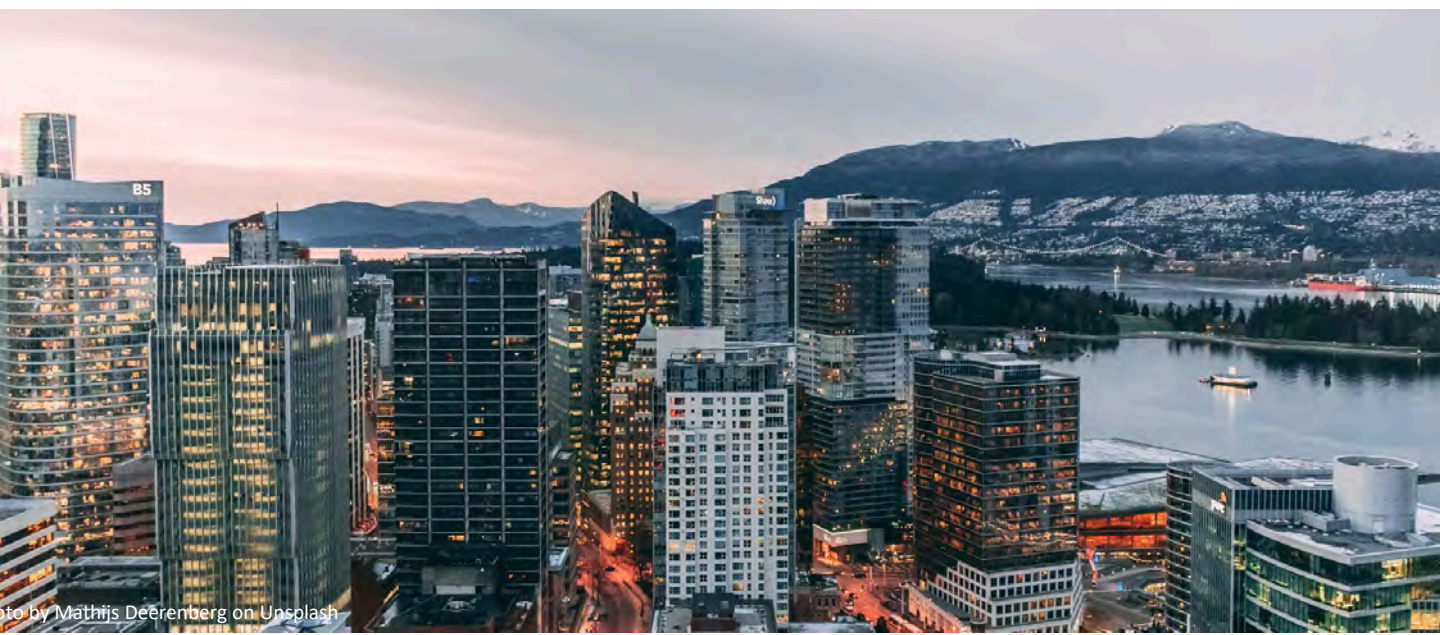
Employed full-time	52%
Employed part-time	17%
Retired	17%
Unemployed but looking for a job	6%
Unemployed and not looking for a job	5%
Student	4%

Income



Key Insight Summary

- Most are comfortable and/or willing to live in neighbourhoods or communities with affordable housing developments
- Moderately mixed-income with 40% of the development being different, achieved the highest levels of openness (41%, plus 28% who would accept a greater mix).
- Overall positive attitudes towards affordable housing factors such as recognizing the demand, need for more support/aid, living in mixed-income communities. NIMBYism still exists, albeit small.
- Perceived benefits of affordable housing are creating opportunities and improving the health for low and middle-income people and families.
- Concerns are mixed and generally weak. However, key issues raised include concerns with crime rates, undesirable neighbours, and lack of parking.
- Most comfort is achieved at 30% below-market rates (of levels tested). Levels drop off at 40% below-market, albeit still a majority indicate at least some level of comfort.
- Large market potential as 57% of the Lower Mainland are likely to move into an apartment or a condo in the next 5 years (excluding those who don't know). Among those likely to move, the majority would prefer a 2-bedroom unit.
- Younger, progressive, people living in Vancouver, renting, likely to move into an apartment or condo, and more educated are the most comfortable with affordable housing.
- There is a similar level of resistance to each of the development types including mixed-use, multi-family, or affordable housing and they are also the same people who are resistant across all three types.
- The majority are willing to accept a lower return than standard investments products in order to support a social housing social purpose initiative, such as affordable housing.



Recommendations

The following evidence-based recommendations are purely based on the research results shown in the rest of this report.

1

Overall results are positive and there are not any major red flags or reasons to delay the creation of the NPHDC based on these research results.

2

Engagement will be critical at the community level to address the concerns of crime rates, undesirable neighbours, and lack of parking. This will help with community acceptance.

3

The optimal development would include up to a 40% income-mix (i.e., different income than your own) to ensure the greatest comfort level among all tenants.

4

The NPHDC could move forward with 50% below-market rates and still achieve most of a community being comfortable with that development. However, 40% or less below-market rates would result in less resistance.

5

No indication that mixed-use would cause any more or less issues for the NPHDC.

6

The most likely target for NPHDC will be those living in Vancouver, younger, educated, renting, politically progressive, and likely to move in the next five years.

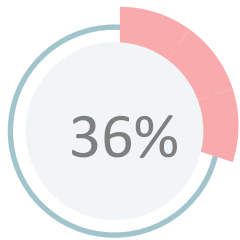




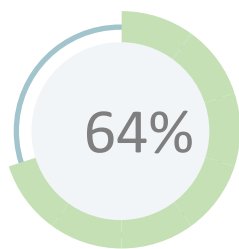
Detailed Learnings

Most are comfortable with affordable housing developments in their neighbourhood.

Nearly **two-thirds** are either **very or somewhat comfortable with** a new affordable housing development being built in their neighbourhood. Over a third indicate a level of discomfort.



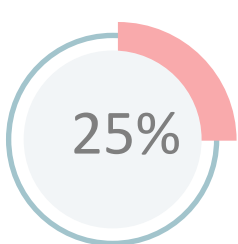
Uncomfortable
(Very/Somewhat
Uncomfortable)



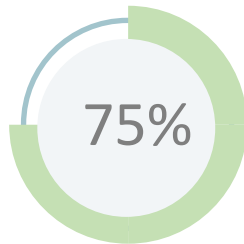
Comfortable
(Very/Somewhat
Comfortable)

Q. State your level of comfort with the following: New affordable housing developments (i.e. below market rentals and/or sales) in your neighbourhood.

Three-quarters are willing to live in a **community** that is home to affordable housing developments/options.



Unwilling
(Very/Somewhat
Unwilling)



Willing
(Very/Somewhat
Willing)

Q. How willing are you to live in a community that offers affordable housing developments or options?

Lower Mainland residents **are very open to developments in their neighbourhood that have a varied income mix.** Nearly seven-in-ten indicate openness to 69% of the units being a different income mix from their own household.

The most acceptable development would include a “moderately mixed” income distribution (60% of the occupants with a similar income level).



69%

Q. Which of the mixed-income housing development scenarios (i.e. 20%-100% having the same income as your household) would you be most open to in your neighbourhood?

Positive attitudes towards the need for affordable housing options, more funding, mixed-income neighbours, and the types of options available.

Photo by Roshan Raj on Unsplash

It is very clear residents recognize there is a critical need for more affordable housing options both in their city and neighbourhood.

Most residents (85%) **agree that affordable housing is needed in the city**, but slightly fewer believe it is needed in their own neighbourhood. This 15-percentage point gap indicates slight signs of the knee jerk response “not in my backyard” also known as NIMBYism and commonly found in other literature on this topic (CMHC, 2018).

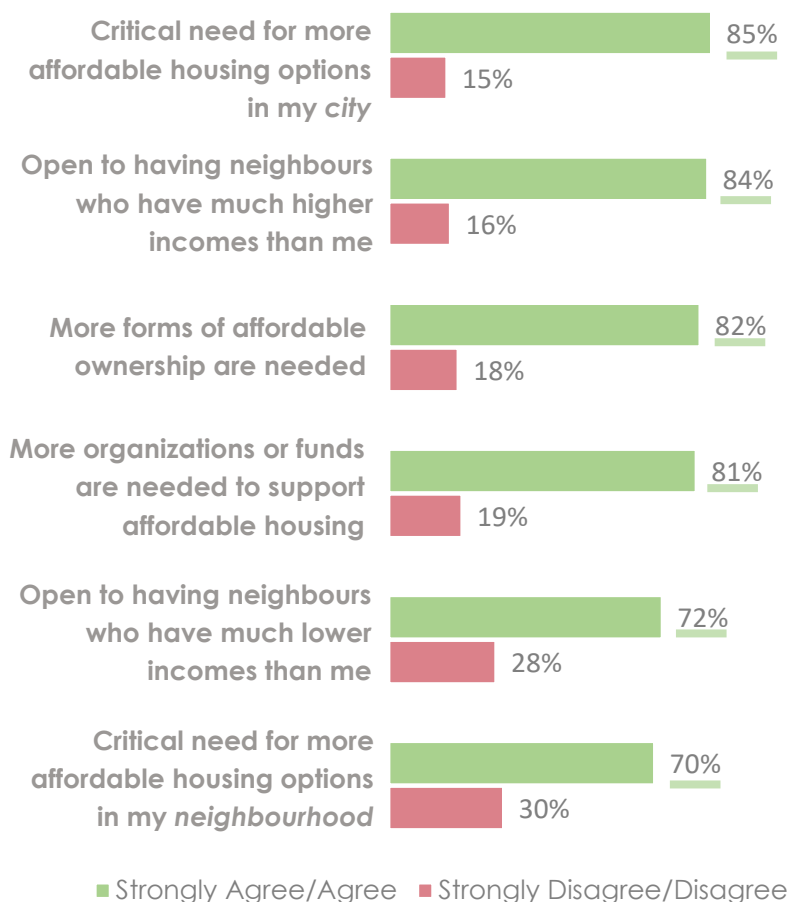
A strong majority are also **open to having neighbours with higher incomes** than themselves. There is also a 12% gap in agreement when compared to openness with neighbours with lower incomes.

The attitudinal gaps can be addressed with **education, community engagement, and some insurances** such as addressing concerns noted in this research including crime rates, parking, and tenant-mix (page 9).

A strong majority are also **open to alternative forms of affordable ownership** like rent-to-own, below-market sales, or restrictions on the resale of a property in specific ways.

More than four-in-five (81%) agree that **more organizations or funds are needed to support the problem of lack of affordable housing**, suggesting that respondents do not believe that current market effects will be enough to make a difference.

Support for Affordable Housing Ideas

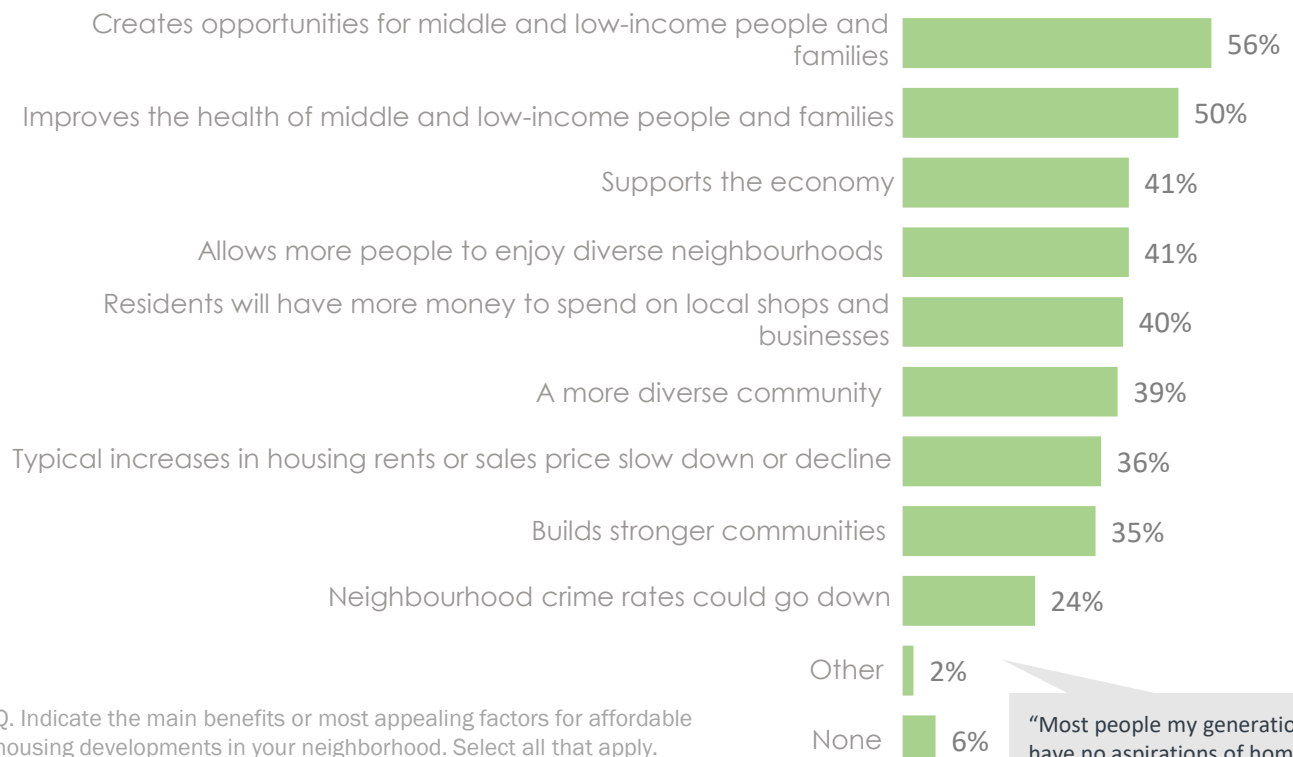


Q. Indicate whether you agree or disagree with the following statements about affordable housing.

Indicates significantly higher than comfortable/uncomfortable subgroup with at least 90% confidence.

Photo by Wes Hicks on Unsplash

Benefits/Appealing Factors of Affordable Housing Developments



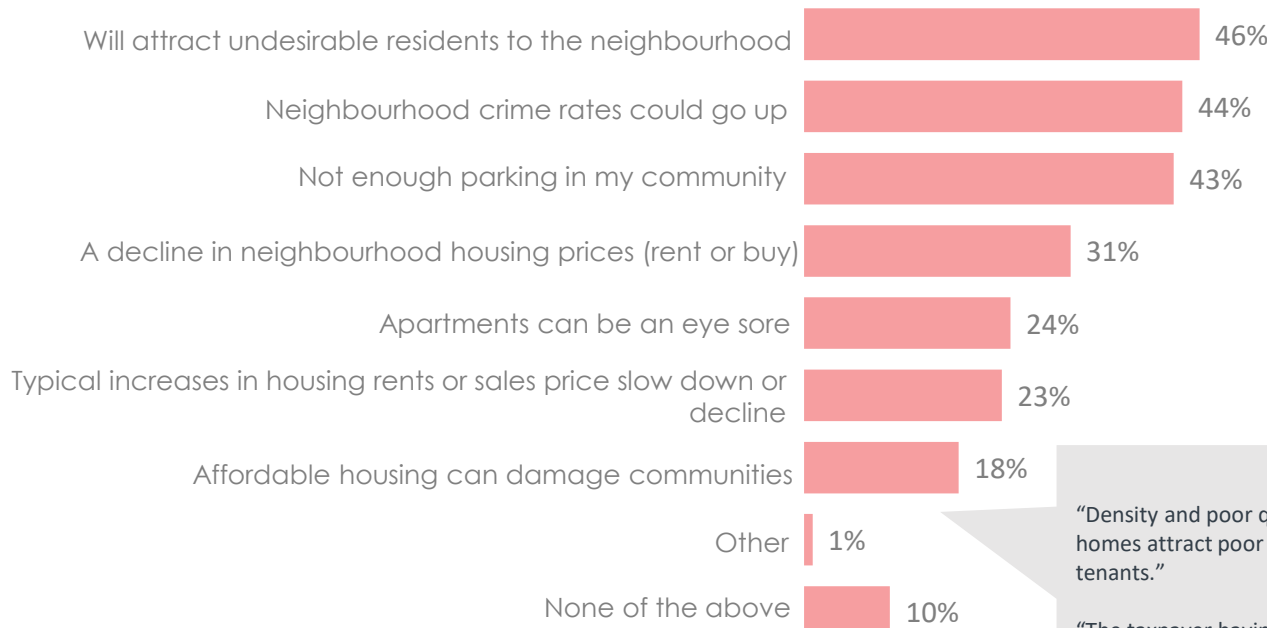
No clear overwhelming benefit emphasizes the complexity around the issue in gaining support.

More than half believe affordable housing **improves opportunities** (56%) and **health** (50%) of middle and low-income families. Benefits such as supporting the economy, diversity in neighbourhoods, and building stronger communities receive softer support. Less than a quarter believe crime rates could go down.

There are a mix of humanitarian motives, economic motives and ulterior motives that are relatable to citizens.

Photo by Wes Hicks on Unsplash

Concerns with Affordable Housing Developments



"Density and poor quality homes attract poor quality tenants."

"The taxpayer having to pay to finance these options"

"Design and upkeep of affordable housing is subpar"

Q. Indicate what you feel are the main concerns or issues you have with an affordable housing development moving into your neighbourhood. Select all that apply.

10% have no concerns with affordable housing.

Bad neighbours, crime rates, & parking are greatest concerns.

There is **no single concern** with affordable housing that received more than half of Lower Mainland citizens' support. However, this could make it more challenging to alleviate concerns to those that have them, because of the high variability or mixed opinions.

The top issues are related to attracting **undesirable residents to the neighbourhood, a negative impact on the crime rate, or parking**. If the NPHDC can address these concerns, it can possibly reduce community backlash.

Addressing **parking concerns** may be impactful in achieving community support for the project. Especially since the VNHS has a lower cost to develop than a typical developer.

Most people are comfortable with 30% below market rentals or sales.

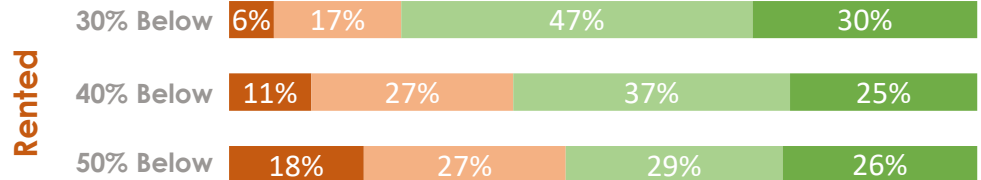
Comfort drops off at 40% or more below market.



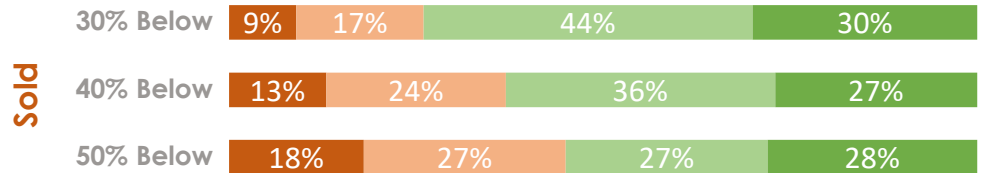
Photo by Roy Wang on Unsplash

Q. How comfortable are you with having affordable housing developments in your neighbourhood?

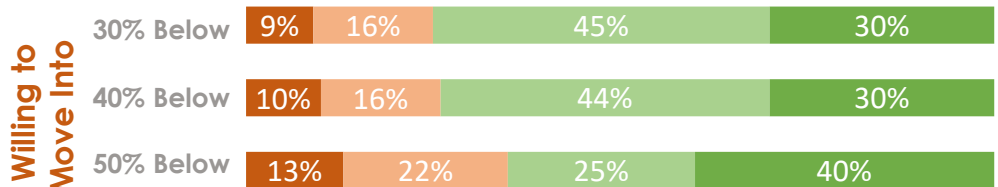
Scenario 1: The affordable housing development would include units **rented below 30%, 40%, and 50%** market rental. Base: n=433



Scenario 2: The new affordable housing development would include units **sold below 30%, 40%, and 50%** market prices. Base: n=433



Q. How willing are you to **move into** an affordable housing development with units **sold at 30%, 40% and 50%** below market prices? Base: Among people considering a move to an apartment/condo (n=289).



■ Very Uncomfortable
 ■ Somewhat Uncomfortable
 ■ Somewhat Comfortable
 ■ Very Comfortable

VNHS will need to determine what degree of resistance it is comfortable with when deciding on the mix of affordable housing units in each development.

Despite comfort being weaker for the 50% below market options, there is still **over half of residents who are comfortable at this discount**. VNHS will need to determine what level of comfort it feels like they can have the most success with.

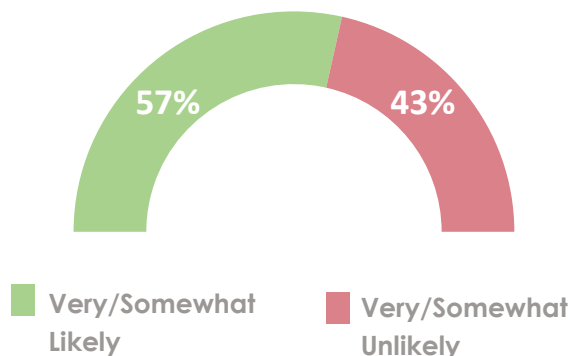
There are at least a quarter of residents who are likely to move into an apartment or condo in the next 5 years who are not comfortable, even when considering moving into a unit with below-market prices. This suggests VNHS will likely always have some resistance to its developments.

Nearly three-fifths of Lower Mainland residents are likely to move into an apartment or condo, and more than half of those would prefer a 2 bedroom.

The **potential market size for the NPHDC is large**, with nearly three-fifths of Lower Mainland residents indicating they are likely to move into an apartment or condo in the next five years.

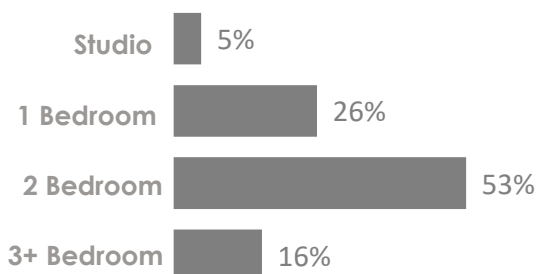
More than half indicated they would **prefer 2 bedrooms**. Few would require 3 or more (16%). However, budget would likely drive the decision on what options are possible for the low and middle-income families.

Likelihood to Move Into a Condo or Apartment in the Next 5 Years



Q. How likely are you to move into an apartment or condo in the next five years? Base: Total Respondents (exc. Don't Know n= 382)

Preferred Number of Bedrooms



Q. What unit type would you be looking for?

Base: Likely to move into an apt/condo n=266

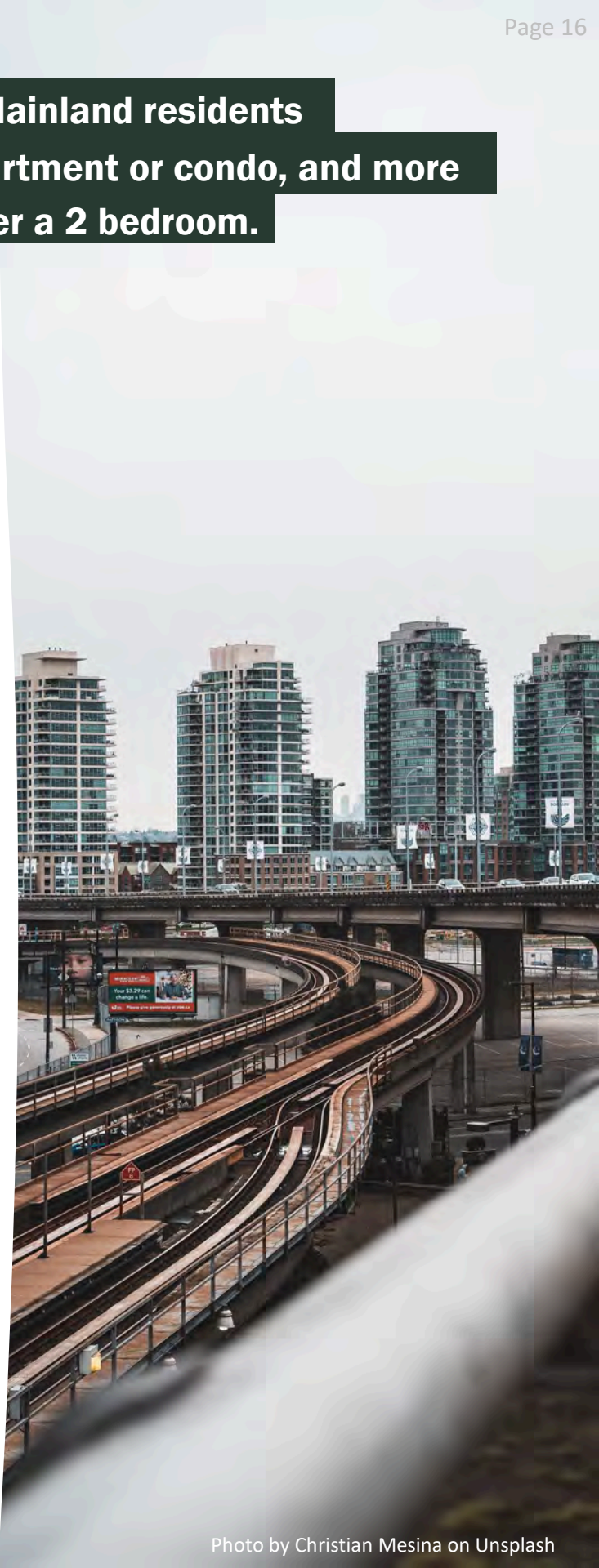
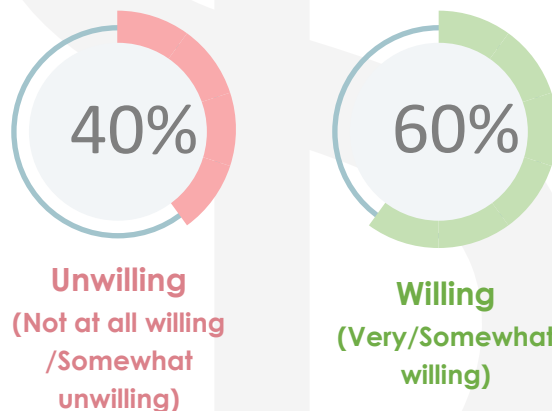


Photo by Christian Mesina on Unsplash

Three-fifths are willing to accept a lower return to support social initiatives.

There is **more support than resistance for social purpose investing**. It is a promising indication to see that 60% of Lower Mainland residents are at least somewhat willing to accept a lower return to support a social purpose initiative such as affordable housing.

More info is likely needed to fully determine the acceptance of affordable housing bonds in the Lower Mainland. However, this data indicates it is worthwhile to continue to research the market acceptance of various investment options.



Q. How willing would you be to accept a slightly lower rate of return than other investment products to invest in and help facilitate a social initiative, such as affordable housing?

Base: Total Respondents n=433



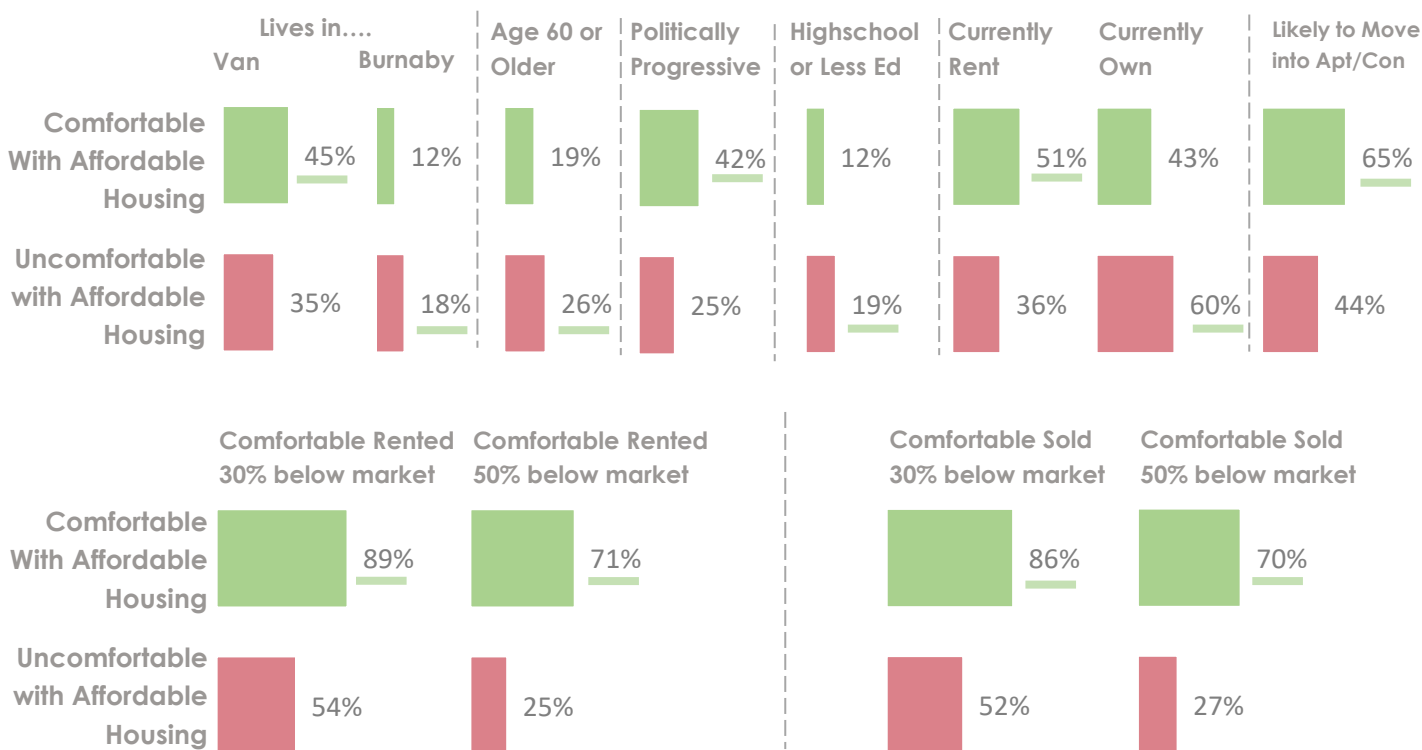
Differences in comfort with affordable housing developments are seen among various socio-demographics.

Photo by Timon Studler on Unsplash

Young, progressive, more educated, Vancouverites, have the most comfort with affordable housing developments.

Those who live in Vancouver, currently rent, are politically progressive, or are likely to move into an apartment or condo in the next five years are **more comfortable with affordable housing developments than those who are not**. Conversely, those who live in Burnaby, are over the age of 60, have a high school education or less, or currently own their home are less comfortable with affordable housing developments than those who are not.

As expected, comfort with affordable housing developments with below market sales and rentals is also greater among those who are comfortable with affordable housing developments in general.



Q. How comfortable would you be if the following development changes occurred in your neighbourhood?

Based among a variety Socio-Demographics (base size varies)

— Indicates significantly higher than comfortable/uncomfortable subgroup with at least 90% confidence.



Photo by Brayden Law on Unsplash

Approximately two-thirds are comfortable with new types of developments in their neighbourhoods.

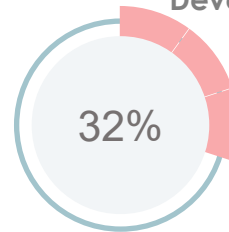
The majority will support new developments and see the benefits, but there will likely always be some resistance. Community engagement will be critical to breaking down barriers with those who are currently not supportive.

Lower Mainland residents' comfort levels are consistent whether the development proposed is mixed-use, multi-family, or new affordable housing.

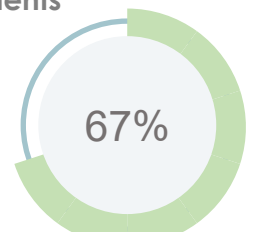
Only a 4% increase is uncomfortable for a new mixed-use complex versus a new affordable housing complex, suggesting **NPHDC can likely pursue a mixed-use concept without any more resistance.**

It should be noted that those who are not comfortable with an affordable housing development, are generally the same individuals who are not comfortable with any new development in their neighbourhood. This suggests that regardless of the type of development that any residential developer offers, there will always be some resistance.

Comfort with New Mixed-Use Developments

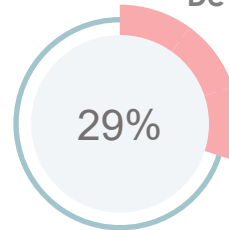


Uncomfortable
(Very/Somewhat
Uncomfortable)

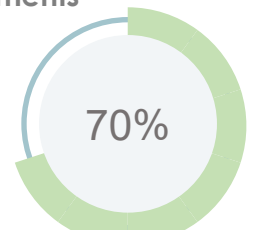


Comfortable
(Very/Somewhat
Comfortable)

Comfort with New Multi-Family Developments

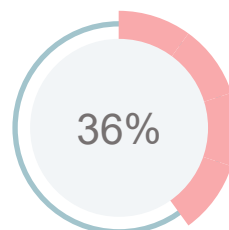


Uncomfortable
(Very/Somewhat
Uncomfortable)

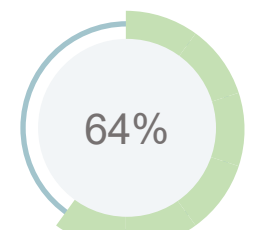


Comfortable
(Very/Somewhat
Comfortable)

Comfort with New Affordable Housing Developments (Repeated)



Uncomfortable
(Very/Somewhat
Uncomfortable)



Comfortable
(Very/Somewhat
Comfortable)

Thank You

Thank you to the Vancouver Native Housing Society, CHRA, and the Haskayne School of Business for its support on this project.

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Appendix: Demographic comparison (Sample VS General Population of the Lower Mainland)

Employment: Total population aged 15 years and over by work activity

	Gen Pop	Survey
Did not work	32%	31%
Worked full year; full time	32%	52%
Worked part year and/or part time	36%	17%

Marital Status: Marital status for the population aged 15 years and over:

	Gen Pop	Survey
Married	49%	43%
Living common law	8%	9%
Never married	29%	36%
Divorced or Divorced	9%	9%
Widowed	5%	3%

Income: Household total income groups

	Gen Pop	Survey
\$0-\$40,000	27%	23%
\$40,000 - \$80,000	34%	33%
\$80,000 - \$125,000	16%	26%
\$125,000 and over	24%	18%

The Demographic comparison to the lower mainland demonstrates a generally reflective sample of the Lower Mainland, although not perfect. The data has not been weighted to the Lower Mainland General Population.

Data comparison, Statscan 2015

