A 1.5% Neighbourhood Solution to Inaffordability

Our development policies determine who can live in a community. Many current policies discourage affordable urban infill, which excludes lower- and middle-income families from desirable neighbourhoods. This is inefficient and unfair. The 1.5% Neighbourhood Solution ensures that our communities accommodate all types of households: poor and rich, small and large. We challenge residents to say, “Yes in our backyard! We welcome diversity!”

More Affordable Housing is Needed

Many low- and middle-income families lack affordable housing and transportation options. This harms those households and reduces businesses ability to recruit talent, reducing local economic development. Limiting urban infill causes sprawl, which displaces openspace and leads to more automobile travel and associated costs. Everybody benefits if any household that wants can find suitable housing in a walkable urban neighbourhood.

Single-detached homes require far more land, are far more costly to own, and so require higher incomes than condominiums and townhomes. The graph below compares Victoria area housing prices and the minimum incomes required to purchase them, assuming 30% maximum income devoted to mortgages. When somebody says, “I only want detached houses in my neighbourhood” they are essentially saying, “I only want households earning more than $160,000 in my neighbourhood.”

A 1.5% Solution for More Inclusive Communities

Victoria’s population currently grows about 1.5% annually. To become more affordable and inclusive we must increase our housing supply faster than that, adding at least 1,000 units annually. There are currently about 4,000 housing units under development in Victoria, but these are mostly downtown highrises, which are costly to build and unsuitable for many households. The greatest unmet need is for compact, moderately priced housing in walkable neighbourhoods.

A reasonable target is for residential neighbourhoods to increase housing supply at least 1.5% annually, a modest growth rate but higher than what currently occurs in most neighbourhoods (see below). Most new houses should be moderately priced ($300,000-600,000), so they are initially affordable to middle-income households and become affordable to lower-income households as they depreciate. Policy reforms are needed to allow this to occur.

Housing Prices and Income Requirements

For more information
Victoria Affordability Backgrounder (www.vtpi.org/vab)