

Zoning for Affordability



Author: Inam Teja
Policy & Advocacy Specialist
Calgary Drop-In Centre

March 2024



Recommendation

Calgary's housing shortage is being experienced most painfully by the most vulnerable in our society. Calgary's City Council should follow through on *Home is Here: The City of Calgary's Housing Strategy*, by approving the proposed citywide rezoning to a base residential district of R-CG, R-G, or H-GO to enable the creation of more housing, boost affordability, and alleviate the unsustainable pressure on Calgary's homeless-serving organizations.

Summary

With a sharp increase in demand, Calgary is facing a housing shortage. The lack of housing supply is creating intense competition for scarce available units, which causes the most vulnerable in our society to be left out of the market. Organizations like the Calgary Drop-In Centre see the effects of this housing shortage in the rising numbers of people accessing our services for the first time. To alleviate this issue, we need to increase the supply of market and non-market housing in Calgary. One of the largest barriers to supply is the zoning approvals process, which adds significant time and costs to potential new housing builds. While zoning is not the only barrier to creating new housing, removing it as a barrier is a necessary decision to unlock more supply and ease the housing affordability crisis.

Context

Calgary is in a housing crisis: the rental vacancy rate is 1.4% (tied with Toronto for lowest in Canada), the average rental cost increased by 14.3% in 2023 (the largest increase in Canada),¹ and Calgary's housing needs assessment estimates that one in five Calgary households, at least 84,600 households, cannot afford their housing.² In January, at the Calgary Drop-In Centre, we had an average of 818 people staying overnight and 147 of these were new individuals sleeping in our shelter for the first time.

Opportunity

In September of 2023, City Council passed *Home is Here: The City of Calgary's Housing Strategy* after extensive debate and public engagement. This strategy was the culmination of hours of work by the Housing Affordability Task Force, which included a member of the Calgary Drop-In Centre's leadership team. After hearing from over 580 individuals and organizations, council voted to adopt the strategy which included laying the groundwork for the current rezoning proposal. Calgary's City Council has acknowledged the dire situation when it comes to housing in Calgary, and in adopting the strategy, has recognized the need to "increase the supply of housing to meet demand and increase affordability."³ On April 22, 2024, City Council will hold public hearings to consider the nuanced perspectives of Calgarians on the rezoning proposal before voting to approve or reject the rezoning proposal.

Policy Analysis

Calgary has experienced drastic increases in both home prices and rental rates,⁴ indicative of a tight housing market. While Calgary has maintained a steady rate of production of new dwellings over the past 20 years, there is much reason to believe that the supply has not kept up with demand due to factors including:

- Calgary experiencing unprecedented population growth, with 2023 accounting for the largest annual population growth on record.⁵ 2022-2023 marked the highest ever number of net interprovincial migrants to Alberta⁶ and Calgary is seeing high levels of non-permanent residents moving to the city,⁷ many of whom have jobs building housing.⁸

¹ Canada Mortgage & Housing Corporation. "Rental Market Report." January 2024.

² City of Calgary. "2023 Housing Needs Assessment." Accessed March 6, 2024.

³ City of Calgary. "Home is Here, The City of Calgary's Housing Strategy 2024 - 2030." Accessed March 11, 2024.

⁴ City of Calgary. "2023 Housing Needs Assessment." Accessed March 6, 2024.

⁵ Tarini Fernando, "Calgary sees record annual population growth, expects decrease in job growth rate: report," *CBC News*, May 10, 2023.

⁶ Statistics Canada. "Interprovincial migration indicators, provinces and territories: Interactive dashboard." Accessed March 7, 2024.

⁷ Judy Aldous, Carla Turner, Boshika Gupta, "Number of non-permanent residents in Alberta soared to 180,000 at the end of 2023," *CBC News*, Last Updated January 19, 2024.

⁸ Judy Aldous, Carla Turner, Boshika Gupta, "'Demand is bigger than what we can produce': How immigrants help build the homes they hope to one day live in," *CBC News*, Last Updated January 19, 2024.

- Nationally, household sizes are shrinking, while the number of households in Canada increases.⁹ This means that we now need more houses per capita to meet demand.
- Since the pandemic, there has been a sharp increase in individuals seeking more residential space in order to ‘work from home.’ A high-quality study “estimate[s] that an additional percentage point of remote work causes a 0.93 percent increase in house prices after controlling for negative spillovers from migration.”¹⁰
- Many seniors are choosing to age in place longer, and according to Canadian Mortgage and Housing Corporation economists, “in many of Canada’s large cities, seniors living alone or couples over age 75 are more likely than young families to live in single-family homes with three or more bedrooms.”¹¹ This growing empty bedrooms phenomenon further emphasizes the growing need for more houses per capita.

The demand for housing has far exceeded the supply - an issue that many experts, including CMHC, have identified.¹²

This supply and demand imbalance leads not only to escalated rental costs but also a growing population of individuals who face housing exclusion due to their inability to compete for available housing units. While some of those unable to compete resort to cohabiting with roommates, friends, or family, there exists a subset of people without such alternatives. This phenomenon significantly impacts the entire housing continuum; for example, individuals who previously could afford a two-bedroom dwelling may now pool their incomes to share a single-bedroom unit, displacing those with sole incomes who subsequently seek affordable housing. We can see evidence of this in Calgary, as we have seen a sharp increase in applications for affordable housing units.¹³ This ripple effect extends throughout the housing spectrum, ultimately leaving society’s most vulnerable individuals without viable housing options. At the Calgary Drop-In Centre, our shelter usage statistics highlight the alarming link between Calgary’s growing housing shortage and homelessness. When housing remains inaccessible at any point along this continuum, it is consistently the most marginalized who bear the brunt of the consequences.

The correlation between housing supply shortages and homelessness is borne out in the data from other cities in North America. Colbern & Aldern examined factors that could explain the difference in homeless population sizes among major cities and counties in the US including substance use, weather, mental illness, and poverty. They found that rent and rental vacancy rate were the two variables that were best able to explain why homelessness was higher in some cities than others.¹⁴ At the Calgary Drop-In Centre we experience the housing shortage both in terms of the increasing number of people

⁹ Statistics Canada. “The shift to smaller households over the past century.” Accessed March 7, 2024.

¹⁰ John A. Mondragon and Johannes Wieland, “Housing Demand and Remote Work,” *National Bureau of Economic Research Working Paper 30041* (May 2022).

¹¹ Saira Peesker, “Forget downsizing: Canadian seniors staying in large houses well into their 80s, due in part to lack of options,” *The Globe and Mail*, Last Updated February 12, 2024.

¹² Canada Mortgage & Housing Corporation. “Rental Market Report.” January 2024.

¹³ Calgary Housing Company. “CHC By the Numbers.” Accessed March 11, 2024.

¹⁴ Gregg Colburn. “Homelessness is a Housing Problem, Presentation to the Canadian Alliance to End Homelessness.” February 13, 2024.

accessing our shelter and in terms of the difficulty of getting (market and non-market) housing placements to help people move out of shelter. This combination of more people needing our services and fewer people moving on from requiring our support is an unsustainable situation for our organization.

Adding more housing supply will help ease this problem. Each additional housing unit built in our city reduces the number of people competing against each other for already existing homes. The more supply gets built, the closer we get to a scenario where sellers must lower prices to compete against each other for buyers, and landlords may have to lower rents to compete against each other for tenants. This effect exists regardless of the price/rent of new housing supply that goes online because the buyer/tenant of the new housing removes themselves from competing with others for the existing housing in the market.¹⁵ Research suggests that a 1% increase in housing supply results in a 1% decrease in home prices.¹⁶ However, it is essential to note that home prices and rents differ. While various factors influence home prices (such as interest rates and construction costs), rents are influenced by fewer variables. Consequently, the impact of new supply on rents is much more pronounced. Studies indicate that a mere 1% increase in overall housing supply can lead to an average rent decrease of 10%-30%.¹⁷

Municipal governments have many policy tools at their disposal for increasing housing supply, but land use regulations are one of the most impactful. The proposal being considered by Calgary City Council to rezone the base residential districts to allow for more housing density is not unprecedented. Cities like Auckland and Minneapolis are often cited as prime examples of city-wide rezoning - and with good reason: both cities saw an increase in housing supply and a decrease in rents compared to peer cities that share the same macroeconomic environment but did not rezone.¹⁸ Minneapolis also experienced a decline in homelessness since their city created more permissive zoning districts, despite the state of Minnesota seeing an increase in homelessness.¹⁹ An example closer to home is the city of Edmonton, which undertook a similar base district rezoning process last year.²⁰ While there has not been much time to observe the long-term effects, in 2023 Edmonton saw an 18.4% increase in 'Row House' housing starts compared to 2022.²¹ Broadly speaking, there is a strong academic consensus that permissive land-use policies may not be a silver bullet to solve a housing crisis, but that they have positive impacts on

¹⁵ Cristina Bratu, Oskari Harjunen, Tuukka Saarimaa, "City-wide effects of new housing supply: Evidence from moving chains," *VATT Working Papers* 146 (August 2021).

¹⁶ Albouy, David, Gabriel Ehrlich, and Yingyi Liu, "Housing demand, cost-of-living inequality, and the affordability crisis," *National Bureau of Economic Research*, No. w22816 (2016).

¹⁷ Mense, Andreas. "The impact of new housing supply on the distribution of rents." *School of Business and Economics, University of Erlangen-Nuremberg*. Last Updated February 26, 2020.

¹⁸ One Final Effort. "Tracking the revolution in housing policy." Last Updated April 17, 2023.

¹⁹ Linlin Liang, Adam Staveski, Alex Horowitz, "Minneapolis Land Use Reforms Offer a Blueprint for Housing Affordability," *The Pew Charitable Trusts*. January 4, 2024.

²⁰ Lauren Boothby, "Edmonton passes density-boosting zoning bylaw allowing three-storey apartments and row housing citywide," *The Edmonton Journal*, Last Updated October 23, 2023.

²¹ Government of Alberta. "Edmonton - Housing Starts." Accessed March 11, 2024.

affordability generally,²² and rents specifically.²³ It is true that over 95% of rezoning applications in Calgary were approved during the current City Council term,²⁴ but this can be a lengthy and often expensive process. Not only does the delay in housing approval prolong the inflow of people seeking emergency shelter services, but it is also linked to lower housing affordability at the municipal level.²⁵

Some have argued that any new housing supply enabled by the rezoning proposal would be expensive to purchase or rent and would therefore have no effect on affordability. This is false on two accounts. Firstly, the type of housing enabled by this proposal includes rowhouses, townhouses, laneway houses, and basement suites, all of which are more affordable on average than a new single-detached home. The median value of a single-detached home built between 2018-2023 was \$1,640,000, while the median value of a rowhouse built in that same period was \$586,000.²⁶ Secondly, even expensive housing entering the market has a positive effect on affordability, as it removes those with the means to pay from competing with everyone else for existing units.²⁷

A functional housing market with elastic supply to meet growing demand and well-funded, non-market options along the housing continuum would alleviate many of the housing affordability challenges we see today. To reach that ideal, the City of Calgary needs to follow through on *Home is Here: The City of Calgary's Housing Strategy* by updating the city's base residential land use districts. This would increase housing supply, bolster affordability, and prevent people from needing to access emergency shelters at such an alarming rate.

Other Consequences

While the Calgary Drop-In Centre is most focused on housing affordability, it is important to recognize some of the other impacts of this policy:

From an economic perspective, the proposed rezoning changes are a fiscally responsible option for the city to pursue. By enabling growth within existing neighbourhoods rather than constraining all new growth to the edges of the city, the city can save costs by simply upgrading existing services (libraries, utility connections, road maintenance etc.) rather than building new ones. It also creates the critical mass of people required for efficient public transit service, benefitting all residents. It also frees up the council's time and city resources that are currently dedicated to reviewing current rezoning applications.

²² Noah Kazis, "Learning from Land Use Reforms: Housing Outcomes and Regulatory Change," *NYU Furman Centre*. 2021.

²³ Alex Horowitz, Ryan Canavan, "More Flexible Zoning Helps Contain Rising Rents," *The Pew Charitable Trusts*, April 17, 2023.

²⁴ Darren Krause, "Though Calgary city council approves most R-CGs, councillors still want public input," *Livewire Calgary*, March 7, 2024.

²⁵ Canada Mortgage & Housing Corporation. "Approval delays linked with lower housing affordability." July 13, 2023.

²⁶ City of Calgary. "Rezoning for Housing - Info Session Boards Presentation." Accessed March 11, 2024.

²⁷ Evan Mast, "The Effect of New Market-Rate Housing Construction on the Low Income Housing Market," *Employment Research* 26(3) (July 2019): 1-4.

Environmentally speaking, enabling density has significant positive impacts compared to sprawl. Calgary's sprawling growth has destroyed more acres of grasslands and wetlands than any other Canadian city over the last 10 years.²⁸ With a dramatic need to increase housing supply, building within our existing footprint not only prevents this land destruction, it also enables more people to live closer to their jobs, reducing travel emissions.²⁹

Further Work

The rezoning proposal being considered by council is not enough to solve the housing crisis facing our city. When the city adopted *Home is Here: The City of Calgary's Housing Strategy* it started down the right path towards improving Calgary's housing affordability, but there is still much to be done. Only 3.6% of Calgary's housing stock is non-market (affordable),³⁰ which is below the national average and about half of the OECD and G7 averages.³¹ This needs to drastically increase if our city is to increase affordability and improve the lives of those experiencing homelessness. Both non-market and market housing are needed to solve our housing shortage. It is also important to note that restrictive zoning is not the only barrier to the construction of more market housing - labour shortages and material costs for building new housing pose challenges for bringing more supply online.³² Innovation in the housing space is necessary in this crisis. The City of Calgary should leave no stone unturned as it looks for new solutions to meet the needs of all Calgarians - including single egress stair designs, modular housing, and pre-approved universal design templates. Calgary is facing a severe crisis which calls for transformative improvements to the way we create housing.

Conclusion

Calgary's housing shortage is being experienced most painfully by the most vulnerable in our society. Calgary's City Council should follow through on *Home is Here: The City of Calgary's Housing Strategy*, to enable the creation of more housing, boost affordability, and alleviate the unsustainable pressure on Calgary's homeless-serving organizations.

About the Author

This report was prepared by Inam Teja, Policy & Advocacy Specialist at the Calgary Drop-In Centre. Inam has a master's in public policy with distinction from the University of Oxford where he concentrated on housing policy. He also holds an HBA from Ivey Business School and a BA from Huron University College.

²⁸ Jesse Helmer, "Less is More: Where We Build 5.8 Million Homes Matters." *PLACE Centre. Smart Prosperity Institute*. November 2023.

²⁹ City of Calgary. "Rezoning for Housing" Accessed March 11, 2024.

³⁰ City of Calgary. "About affordable housing" Accessed March 11, 2024.

³¹ Rebekah Young, "Canadian Housing Affordability Hurts," *Scotiabank Economics*. January 18, 2023.

³² Matt Scace, "Labour shortages one of many factors limiting residential construction in Calgary: experts," *The Calgary Herald*, Last Updated October 17, 2023.

Bibliography

1. Canada Mortgage & Housing Corporation. "Rental Market Report." January 2024. [Rental Market Report - January 2024 \(cmhc-schl.gc.ca\)](https://www.cmhc-schl.gc.ca)
2. City of Calgary. "2023 Housing Needs Assessment." Accessed March 6, 2024. [Housing Needs Assessment \(calgary.ca\)](https://www.calgary.ca)
3. City of Calgary. "Home is Here, The City of Calgary's Housing Strategy 2024 - 2030." Accessed March 11, 2024. [The City of Calgary's Housing Strategy](https://www.calgary.ca)
4. City of Calgary. "2023 Housing Needs Assessment." Accessed March 6, 2024. [Housing Needs Assessment \(calgary.ca\)](https://www.calgary.ca)
5. Tarini Fernando, "Calgary sees record annual population growth, expects decrease in job growth rate: report," *CBC News*, May 10, 2023. [Calgary sees record annual population growth, expects decrease in job growth rate: report | CBC News](https://www.cbc.ca)
6. Statistics Canada. "Interprovincial migration indicators, provinces and territories: Interactive dashboard." Accessed March 7, 2024. [Interprovincial migration indicators, provinces and territories: Interactive dashboard \(statcan.gc.ca\)](https://www150.statcan.gc.ca)
7. Judy Aldous, Carla Turner, Boshika Gupta, "Number of non-permanent residents in Alberta soared to 180,000 at the end of 2023," *CBC News*, Last Updated January 19, 2024. [Number of non-permanent residents in Alberta soared to 180,000 at the end of 2023 | CBC News](https://www.cbc.ca)
8. Judy Aldous, Carla Turner, Boshika Gupta, "'Demand is bigger than what we can produce': How immigrants help build the homes they hope to one day live in," *CBC News*, Last Updated January 19, 2024. ['Demand is bigger than what we can produce': How immigrants help build the homes they hope to one day live in | CBC News](https://www.cbc.ca)
9. Statistics Canada. "The shift to smaller households over the past century." Accessed March 7, 2024. [The shift to smaller households over the past century \(statcan.gc.ca\)](https://www150.statcan.gc.ca)
10. John A. Mondragon and Johannes Wieland, "Housing Demand and Remote Work," *National Bureau of Economic Research Working Paper 30041* (May 2022): <https://doi.org/10.3386/w30041>
11. Saira Peesker, "Forget downsizing: Canadian seniors staying in large houses well into their 80s, due in part to lack of options," *The Globe and Mail*, Last Updated February 12, 2024. [Forget downsizing: Canadian seniors staying in large houses well into their 80s, due in part to lack of options - The Globe and Mail](https://www.theglobeandmail.com)
12. Canada Mortgage & Housing Corporation. "Rental Market Report." January 2024. [Rental Market Report - January 2024](https://www.cmhc-schl.gc.ca)
13. Calgary Housing Company. "CHC By the Numbers." Accessed March 11, 2024. <https://calgaryhousingcompany.org/by-the-numbers/>
14. Gregg Colburn. "Homelessness is a Housing Problem, Presentation to the Canadian Alliance to End Homelessness." February 13, 2024. <https://caeh.ca/wp-content/uploads/Feb-13-Webinar-Slides.pdf>
15. Cristina Bratu, Oskari Harjunen, Tuukka Saarimaa, "City-wide effects of new housing supply: Evidence from moving chains," *VATT Working Papers* 146 (August 2021): [City-wide effects of new housing supply: Evidence from moving chains \(doria.fi\)](https://www.vatt.fi)
16. Albouy, David, Gabriel Ehrlich, and Yingyi Liu, "Housing demand, cost-of-living inequality, and the affordability crisis," *National Bureau of Economic Research*, No. w22816 (2016): <https://doi.org/10.3386/w22816>
17. Mense, Andreas. "The impact of new housing supply on the distribution of rents." *School of Business and Economics, University of Erlangen-Nuremberg*. Last Updated February 26, 2020.

<https://andreas-mense.de/wp-content/uploads/2020/02/Mense-2020-New-Housing-Supply-Rents.pdf>

18. One Final Effort. "Tracking the revolution in housing policy." Last Updated April 17, 2023. <https://onefinaleffort.com/upzoningtracker>
19. Linlin Liang, Adam Staveski, Alex Horowitz, "Minneapolis Land Use Reforms Offer a Blueprint for Housing Affordability," *The Pew Charitable Trusts*. January 4, 2024. <https://www.pewtrusts.org/en/research-and-analysis/articles/2024/01/04/minneapolis-land-use-reforms-offer-a-blueprint-for-housing-affordability>
20. Lauren Boothby, "Edmonton passes density-boosting zoning bylaw allowing three-storey apartments and row housing citywide," *The Edmonton Journal*, Last Updated October 23, 2023. <https://edmontonjournal.com/news/local-news/edmonton-zoning-bylaw-pass-density-three-storey-apartments>
21. Government of Alberta. "Edmonton - Housing Starts." Accessed March 11, 2024. <https://regionaldashboard.alberta.ca/region/edmonton/housing-starts/#/stacked/housing-type/?from=2019&to=2023>
22. Noah Kazis, "Learning from Land Use Reforms: Housing Outcomes and Regulatory Change," *NYU Furman Centre*. 2021. https://furmancenter.org/files/Learning_from_Land_Use_Reforms-Housing_Outcomes_and_Regulatory_Change_Introduction_508.pdf
23. Alex Horowitz, Ryan Canavan, "More Flexible Zoning Helps Contain Rising Rents," *The Pew Charitable Trusts*, April 17, 2023. <https://www.pewtrusts.org/en/research-and-analysis/articles/2023/04/17/more-flexible-zoning-helps-contain-rising-rents>
24. Darren Krause, "Though Calgary city council approves most R-CGs, councillors still want public input," *Livewire Calgary*, March 7, 2024. <https://livewirecalgary.com/2024/03/07/though-calgary-city-council-approves-most-r-cgs-councillors-still-want-public-input/>
25. Canada Mortgage & Housing Corporation. "Approval delays linked with lower housing affordability." July 13, 2023. <https://www.cmhc-schl.gc.ca/blog/2023/approval-delays-linked-lower-housing-affordability>
26. City of Calgary. "Rezoning for Housing - Info Session Boards Presentation." Accessed March 11, 2024. https://www.calgary.ca/content/dam/www/engage/documents/Info_Session_Boards_SM.pdf
27. Evan Mast, "The Effect of New Market-Rate Housing Construction on the Low Income Housing Market," *Employment Research* 26(3) (July 2019): 1-4. [https://doi.org/10.17848/1075-8445.26\(3\)-1](https://doi.org/10.17848/1075-8445.26(3)-1)
28. Jesse Helmer, "Less is More: Where We Build 5.8 Million Homes Matters." *PLACE Centre. Smart Prosperity Institute*. November 2023. [Less is More: Where We Build 5.8 Million Homes Matters \(smartprosperity.ca\)](https://www.smartprosperity.ca/less-is-more-where-we-build-5-8-million-homes-matters)
29. City of Calgary. "Rezoning for Housing" Accessed March 11, 2024. [Rezoning for housing \(calgary.ca\)](https://www.calgary.ca/content/dam/www/engage/documents/Info_Session_Boards_SM.pdf)
30. City of Calgary. "About affordable housing" Accessed March 11, 2024. [About affordable housing \(calgary.ca\)](https://www.calgary.ca/content/dam/www/engage/documents/Info_Session_Boards_SM.pdf)
31. Rebekah Young, "Canadian Housing Affordability Hurts," *Scotiabank Economics*. January 18, 2023. [Canadian Housing Affordability Hurts | Post \(scotiabank.com\)](https://www.scbank.com/economics/canadian-housing-affordability-hurts)
32. Matt Scafe, "Labour shortages one of many factors limiting residential construction in Calgary: experts," *The Calgary Herald*, Last Updated October 17, 2023. [Labour shortages holding back construction progress in Calgary | Calgary Herald](https://www.calgaryherald.com/news/local-news/labour-shortages-holding-back-construction-progress-in-calgary)