



# FUTURE CITY

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## ARYZE DEVELOPMENTS

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ARYZE Developments is an integrated development and construction business that is using innovative architecture and construction techniques to deliver new types of family housing to urban Victoria neighbourhoods. We are a young team working to solve one of the most important issues impacting young families today: having a place that is comfortable and attainable — a home to build a family, a space to embody memories and cherished experiences.

Homes are often treated as commodities and discussed in general terms. ARYZE isn't trying to deliver housing, we're trying to build homes. And despite what you may have seen or heard, it's incredibly difficult to do so in Victoria.





## HOMES IN OUR FUTURE (SHARED) CITY

It's fall 2018, and many municipal councils in the Capital are discussing ways to increase affordable housing. In Victoria, current deliberations are on the proposed *Inclusionary Housing and Density Bonus Policy*. During the dialogue, one councillor caught my attention with the statement that development needs to pay for its impacts and inferred that an inclusionary housing policy was the best way to accomplish this. This got me thinking: why aren't we talking about the inverse? Namely, what happens if we don't develop new housing and we want inclusionary zoning? Does that mean all other zoning is exclusionary?

## ALL THIS HOUSING AND NO HOMES

We actually don't have to look far to see a no-development scenario; it is happening in our own city. Neighbourhoods like Gonzales, Rockland, Fairfield, and Fernwood occupy 42% of the city's residential land base but have only absorbed 10% of population growth over the last 45 years. On the flip side, neighbourhoods like Burnside Gorge, Harris Green, James Bay, and Victoria

West have grown by 54% on 26% of the residential land base. What are these neighbourhoods feeling? Demo-victions, displacement, and gentrification — the data shows it is happening. The areas of Victoria that have the least number of renters also have the most amount of single-family dwelling (SFD) restrictive zoning. These areas also have the lowest occurrence of migration, immigration, and housing turn over. The areas that have the highest number of renters and lowest share of single-family housing also have the highest level of migration, immigration, and housing turn over. What this shows is that protection of one area of town is causing displacement somewhere else.

You may be thinking, "I see cranes and construction all over Victoria, and the housing that is being built is unaffordable luxury housing." Unless this housing has a private movie theatre and car elevators, it isn't luxurious housing. What we are actually talking about is luxury locations. What makes a location a luxury location? Scarcity. It's when relatively few people can actually live there, in comparison to the number of people who would like to live there.

It's hard to quantify scarcity since there is no easy way to count the people displaced from an area. But one





way to measure the balance of supply and demand is vacancy rate. A healthy rental vacancy rate is somewhere in the neighborhood of 5% (Victoria's current vacancy rate is 0.7%) and there is strong data correlating low vacancy with increased prices over time. Adjusted for inflation, rents have increased 25% on average since 2006 in Burnside Gorge, Harris Green, and Victoria West compared to 14% in Gonzales, Fairfield and Fernwood. Joe Cortright, president and principal economist at Impresa Consulting, put it best: "In the game of musical chairs that is the urban housing market, the only way to make sure that all people find a place to sit — i.e. not be displaced — is to add more chairs."

#### ZONING LIMITS WHAT GETS BUILT AND WHO LIVES WHERE

Across Victoria as a whole, almost 70% of the city is restricted to single-family dwellings but only accommodates 24% of households. In a city where 60% of households are renters, 86% live in multi-family housing. We are essentially saying that the vast majority of the city is off limits to 23,900 renter households or people who can't afford the average home price of \$1,100,000 (August 2018). That sounds pretty exclusionary. So rather than primarily looking to rezonings for revenue to fund an inclusionary housing program, council should adopt zoning measures that in and of themselves, will increase housing choice and affordability.

Before you cry "self-interested developer greed," please read further.

Emily Hamilton, economist and author, very accurately states, "By itself, inclusionary zoning does nothing to address the exclusionary policies that came before it, and it increases the cost of building market-rate housing."

By limiting where housing can be built, zoning restricts the total number of new homes in a given neighborhood to far fewer







than the market would otherwise provide. Rick Jacobus, Principal at Street Level Advisors, explains how this leads to an unaffordable housing market by comparing developers to car manufacturers.

So no, the problem is not greed. The development industry is behaving exactly the way we would expect any industry to respond to an artificial cap on their production volume. The same thing would happen in the auto industry: if we limited Toyota to only 100,000 cars per year, they might well choose to keep the Lexus and scrap the Camry, even though, at volume, the Camry is more profitable.

Like cars, new homes eventually filter down the housing ladder. Think about who buys new cars versus used cars; it's not all that different. Yet there's no outcry about Canada's affordable car crisis because our country has plenty of affordable cars, just not affordable brand-new cars. The whole point of allowing the market price of a good to rise is to incentivize creating more of that good. If you restrict creating more of that good but allow the price to continue to rise, that is not market pricing, it is price rationing.

By artificially capping production, all the fears that generate community opposition to densification then occurs in other areas because intense pent-up market demand is concentrated like a fire hose, and that development is undertaken primarily at large scales (giant apartments) and in needlessly expensive ways. The antidote to the disruptive effects of big change is gradual change. The next increment of development — from single-family homes to duplex, duplex to townhouses, townhouses to small apartment buildings — should always be available, everywhere.

The luxury-only and exclusionary zoning problems are to a large extent a function of the fact that we have eliminated incremental change from most corners of our city. Neighbourhoods composed of single-family houses are declared almost entirely off-limits to development.

Together, let's consider the radical idea that how much money you have shouldn't determine whether or not you get to live in walkable neighbourhoods near public amenities, public transit and jobs. Low and modest income people deserve healthy communities too. Every neighbourhood should be for everyone; diverse neighbourhoods are strong neighbourhoods.

*To learn more, visit [talktoaryze.ca](http://talktoaryze.ca).*



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