City of Vernon
Housing Needs Report

HNR Method
Technical Memorandum

September 2024

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Introduction

This technical memorandum introduces the new legislatively mandated 'HNR Method' (referred to in legislation as the 'applicable method') to estimating current and future housing need in British Columbia. The first section describes a brief history of housing needs report requirements, followed by the mandatory calculations results. The remaining sections explore a more complex analysis of the results to understand the estimated need by housing tenure and type, household income, household size, and required bedroom count.

Housing Needs Report History and HNR Method

Initial Legislative Requirements (2019)

Since 2019, local governments in British Columbia have been legislatively required to undertake a housing needs assessment process every five years, with the first report due by 2022. While the requirements included stating an estimated number of additional housing units needed over the next five years to meet demand, there was no guidance or methodology for producing the estimate. As a result, most communities simply projected forward the last five years of household growth into the future, resulting in perpetuating any pre-existing undersupply or mismatch in the housing system. Similarly, there was no enforcement mechanism or requirement to implement policy to meet the likely underestimated housing need.

Legislative Amendments (2023)

In Fall 2023, new legislation was introduced to significantly amend a broad range of planning and land use tools, regulations, and requirements for local governments. A key change was a shift to more pro-active planning, the requirement to estimate 5- and 20-year housing need with a specific HNR Method (HNRM), and to implement sufficient residential capacity through Official Community Plan (OCP) amendments to accommodate the HNRM identified need. An interim housing needs report (IHNR) with the results of the HNRM calculation must be completed by all local governments no later than January 1, 2025, with OCPs amended to accommodate the need no later than December 31, 2025. The analysis, and associated OCP updates, must be completed every five years going forward. INHRs have two additional components beyond the HNRM calculation (see **Appendix A** for all three required components).

With the release of the HNRM guidelines in late June 2024, the work to prepare an IHNR can now be initiated. This technical memo serves to present the findings of the HNRM analysis, alongside additional breakdowns of the results for a 10-year timeframe, and by housing

type and tenure, income group, household size and bedroom count for 5- and 10-years.[1]
The additional components are supplemental to the basic requirements and provide the
City of Vernon with a more nuanced understanding of housing need.

HNR Method Legislatively Required Results

**The legislatively required 5- and 20-year estimates are for 3,312 and 11,484 additional units
respectively** (see Table 1 for breakdowns by component). Revised OCPs must
accommodate this amount of housing. Table 1 includes a supplemental 10-year estimate
for 5,933 units.

The methodology includes six components[2], each with a prescribed calculation method. It
should be noted the five-year result is not simply one quarter of the 20-year result.

Table 1: 5-, 10-, and 20-Year HNR Method Housing Need Estimates, City of Vernon[3]

Component	Detail	5-year	10-Year	20-Year
A	Extreme Core Housing Need	258.0	515.9	1,031.8
B	Person Experiencing Homelessness	166.2	249.3	332.4
C	Suppressed Household Formation	231.3	462.5	925.1
D	Anticipated Household Growth	2,310.2	4,012.9	7,811.1
E	Rental Vacancy Rate Adjustment	38.4	76.9	153.8
F	Demand Factor	307.5	615.0	1,230.1
	Total	**3,312**	**5,933**	**11,484**

For Vernon, the biggest driver of the difference over time is from BC Statistics' projection
slowly shifting from higher growth rate in the first five-years (2.3% annual growth) to a lower

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1. Note: the HNR Method only requires 5- and 20-year breakdowns of the calculations, however, most new
housing units realized over the next five years will be from underway projects, and it may be challenging for
local governments to meaningfully shape outcomes on this timescale. The 20-year timeframe has the
opposite challenge with the timeline being so long the context will likely change before then. Ten years is a
middle point where the need estimated today may still be relatively accurate, with the ability for local
governments to implement policy with the capacity to impact development outcomes. The 10-year
calculation follows the same logic and approach as described for 5- and 20-years in the AM guidelines,
however, this is not an officially mandated methodology and some discretion around how to distribute the
different components over time was required.
2. Refer to the Ministry of Housing's 'Guidelines for Housing Needs Reports – HNR Method Technical
Guidance' document for further detail on the specific components, what they represent, and why they
were included in the methodology.
3. The Ministry of Housing HNR Method guidelines state values should remain unrounded until the final total,
which is to be rounded to the near whole number. For the components, one decimal place has been
shown for clarity when summing to the total.

growth rate by 2026 and through 2041 (1.6%). Similarly, with the urgency in addressing the needs of people experiencing homelessness (Component B), the HNRM intends for half of this need to be addressed in five years, while the 10-year number represents 75% of the 20-year need for persons experiencing homelessness.

Component D (Anticipated Household Growth) could be described as estimated future need, while the other components are considerations of pre-existing unmet need regardless of future population growth. Most of the estimated need is from projected growth (68% of the need over 5-years and 70% over 20-years).

Given most development seen over the next five years will be projects already underway, it is unlikely the short-term estimate is achievable in most municipalities. However, as local policies and plans are amended to accommodate other legislative changes to support additional housing development and diversity, it may become more realistic to achieve these 5-year estimates over time; these changes establish a new framework for land use and housing regulation, and it may take time to be fully operational and keep pace with need.

Values presented in Table 1 provide the minimum requirements of the HNRM calculation for IHNRs, however, more nuance could be provided to understand the type, size, and price-point required to meet the needs of local households. The remainder of this technical memo will explore additional complexity for the 5- and 10-year breakdowns of the HNRM calculation.

Distribution of HNR Method by Price-Point, Housing Type and Tenure, and Bedroom Count

While an estimate of the overall unit need for housing is important to understand, there are a wide range of housing needs requiring different solutions. More advanced analysis of the basic HNRM results can provide a broader understanding of potential housing need in the community. A key aspect of distributing overall estimated housing need to housing type, tenure, or price-point is considering the amount household can afford paying for their housing.

Income Group Concept

The University of British Columbia's Housing Research Collaborative received funding through the Canada Mortgage and Housing Corporation (CMHC) Housing Supply Challenge to develop standardized, replicable and equity-focused Housing Assessment Resource Tools (HART) to support better housing supply decision-making. The Housing

Assessment Tool introduced an income group concept allowing for the distribution of future demand (population projections) and unmet need (core housing need) into income groups. The key innovation of this work is the custom dataset allowing for crosstabulation of census data by these five income groups.

CitySpaces and rennie intelligence have since further developed this baseline concept to incorporate additional conceptualizations of unmet need, which closely paralleled the concepts now introduced through the HNRM. This customized approach included applying a revised version of the custom dataset to allow for additional considerations and adaptability to local concerns or trends. A new version of this dataset has been procured to support more advanced analysis within the new HNRM framework, and previous approaches have now been adapted to build upon the individual HNRM components.

Income Groups

Table 2 provides a high-level description of the basis for the income groups by their type of income, the resulting percentage of the area median (household) income they would earn, with the share of households falling into each group (national average distribution).[4] With the groups defined by a percentage of the area median income each household earns, the exact income thresholds will vary by community, but the overall share of households falling into each group is generally consistent across all geographies.

Table 3 provides the resulting income ranges, affordable monthly housing cost (30% of income), and number and share of households in each income group for Vernon.

Table 2: Income Groups by Income Type, Percent of Area Median Income, and National Average Distribution (%)

Income Group	Income Type or Source	Percent of AMI	2021 National Average Distribution
Very Low	Social Assistance	< 20%	3%
Low	Minimum Wage Worker	20% – 49%	18%
Moderate	Entry-Level Professional Job	50% – 79%	18%
Average	Middle Class	80% – 120%	21%
Above Average	High-Income	> 120%	40%

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4. See the updated HART Housing Need Assessment Tool Methodology Guide (2024) for further background on the income groups.

Table 3: Income Range, Monthly Affordable Housing Cost, and Number of Households by
        Income Group, City of Vernon

Income Group	Income Range	Maximum Monthly Housing Cost	Number of Households	Share of Households
Very Low	< $15,000	< $376	330	2%
Low	$15,000 – $34,999	$376 – $875	3,725	19%
Moderate	$35,000 – $59,999	$876 – $1,500	3,805	19%
Average	$60,000 – $89,999	$1,501 – $2,250	4,015	20%
Above Average	$90,000+	> $2,250	7,865	40%

The rightmost columns of Table 2 and Table 3 show there is a similar share of households in each income group in Vernon compared to the national average. The low- and moderate-income groups have slightly higher shares of households in Vernon than nationally, with a corresponding lower share in the very low and average groups.

Applying the income group distribution to the HNRM results will support allocating by affordable price-point, and therefore by tenure based on an affordability analysis of local housing.

Allocation of HNR Method – Housing Type + Tenure Categories

To provide a deeper understanding of the high-level results, the HNRM calculation has been allocated to four different housing types or tenures:

- **Market rental** is rental housing with rents set by the market, and in this context could include both secured primary rental and secondary rental. The need would ideally be met with purpose-built secured market rental, which generally offers superior security of tenure. However, strata apartments or secondary suites rented by individual owners on the secondary rental market would also address this need. Based on analysis of local market rents and incomes, renter households in the average-income group, and bottom two thirds of the above average group are allocated to market rental.

- **Non-market rental** is purpose-built subsidized rental housing with a range of below-market rents; this category could include a range of price-points above the housing component of social assistance. Based on analysis of market rents, it is assumed all renter households in the moderate-income group and 80% of the low-income group, would need non-market rental housing to meet their needs.

- **Deep subsidy and supportive rental** represent two conceptual categories, including those on social assistance with rents affordable to those earning less than the "deep

subsidy income limits" as defined by BC Housing programs. This category also includes supportive housing for people experiencing homelessness and those requiring on-going supports with their housing. Based on analysis of market rents, it is assumed all renter households in the very low-income group, and the bottom fifth of the low-income group, will need deep subsidy or supportive housing to meet their needs.

- **Ownership** describes housing owned and occupied by individual households; this category is broad, representing a range of households, and does not identify a specific structure type. The ownership category in this methodology represents owner-occupiers only, and investment properties purchased to rent on the secondary market would be in the market rental category. Based on an affordability analysis of local ownership housing, it is assumed 9% of renters, or approximately half of renters in the above average income group earning over $118,000 annually could potentially purchase.[5]

There is some discretion in this allocation and the assumptions to apply will change over time as the local dynamics of rental and ownership housing prices evolve. For example, if ownership prices decrease, a larger share of renter households could be assumed to successfully purchase in the future. Similarly, if market rents were reduced due to the rebalancing of vacancy rates, a smaller share of households could be allotted to non-market rental housing. As the HNRM analysis must be updated every five-years, there will be frequent opportunities to reconsider the allocation of current and future demand to different housing types or tenures.

Table 4 provides the resulting distribution of the four housing categories for 5- and 10-years, while the following sections further explain how the HNRM components have been allocated to the four housing type and tenure categories.

Table 4: 5-Year and 10-Year HNR Method Type and Tenure Allocation

TIMEFRAME		MARKET RENTAL	NON-MARKET RENTAL	DEEP SUBSIDY + SUPPORTIVE RENTAL	OWNERSHIP	TOTAL
5-Years	#	674	822	373	1,442	3,312
	%	20%	25%	11%	44%	100%
10-Years	#	1,249	1,490	638	2,556	5,933
	%	21%	25%	11%	43%	100%

5. Based on the minimum income required to qualify for the median priced townhouse ($480,000, January 2023 - April 2024) with a 20% down payment ($96,000) at 4.64% for 25 years with a gross debt service ratio of 32% and $550 of relevant housing costs per month for qualification at the stress test rate at 4.64%+2%. The median sales price has been applied, as this is the middle point where half of sales were at a lower cost, and it is less impacted by outliers than the average.

Allocation of HNR Method – Distribution of Components

Table 5 broadly summarizes how the HNRM components have been allocated to the four housing type and tenure categories. The allocation of the HNRM components to housing type utilizes the income group concept introduced in the previous section, alongside an affordability analysis of market and non-market rental (BC Housing programs), and ownership prices.

Table 5: Type and Tenure Allocation of HNR Method, City of Vernon

Component	Detail	Type + Tenure Allocation
A	Extreme Core Housing Need	Rental Based on Income of Households in ECHN
B	Persons Experiencing Homelessness	Deep Subsidy + Supportive Rental
C	Suppressed Household Formation	Market Rental + Ownership[6]
D	Anticipated Household Growth	Distribute by Income[7]
E	Rental Vacancy Rate Adjustment	Market Rental
F	Demand Factor	Distribute by Income

The assumptions for how each HNRM component is distributed to housing type or tenure are described below.

Component A – Extreme Core Housing Need

It is assumed households in Extreme Core Housing Need (ECHN) will require non-market rental housing to meet needs for adequate and affordable housing. 39% of ECHN is allocated to **Deep Subsidy + Supportive Rental**, based on the share of renter households experiencing ECHN with incomes below $20,000, while the remainder is allocated **Non-Market Rental** (61%).

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6. Suppressed household formation units allotted to ownership proportionally by the share of renter households (9%) earning over $118,000/year with the remainder assigned to market rental.
7. Estimated future renter households are assigned to market, non-market, and deep subsidy rental by income group compared against current market rents, and non-market funding programs.
For owners, the share of new owner households from 2011-2021 has been considered to conservatively project 50% of new households from 2021-2031 will purchase their home (resulting in the overall share of households who own shifting from 66% in 2021 to 65% by 2031). It is assumed a similar share of new households will own in the future regardless of income to accommodate for inheritance, assistance from family members, or other novel circumstances allowing for purchase without a high income.

Component B – Persons Experiencing Homelessness

It is assumed all persons experiencing homelessness require **Deep Subsidy + Supportive Rental**.

Component C – Suppressed Household Formation

It is assumed suppressed households will generally require **Market Rental**, except for the 9% of renter households earning over $118,000/year, which are instead allocated to **Ownership**.

Component D – Anticipated Household Growth

Anticipated household growth has been allocated based on an affordability analysis of rental and ownership housing compared against renter and owner incomes. Based on the 2011-2021 trend of new households who rent or own, 50% of new households projected through 2031 are assigned to each tenure.

- **Market Rental**: based on the share of renter households in the average income group and 54% of the moderate-income group.

- **Non-Market Rental**: based on the share of renter households in the moderate-income group who can afford no more than $1,125/month (46%), and 81% of renter households in the low-income group (those who can spend more than $500/month).

- **Deep Subsidy + Supportive Rental**: based on the share of renter households in the very low-income group, and 19% of the low-income group.

- **Ownership**: based on a 50% share of new households being owners, in addition to the 9% of renter households earning over $118,000/year.

Component E – Rental Vacancy Adjustment

It is assumed all rental vacancy adjustment is **Market Rental**, as this component seeks to achieve a 3% market rental vacancy rate.

Component F – Demand Factor

Component F seeks to describe the required buffer, or extra room in the housing system, to achieve a 'healthy' supply-demand balance. It is assumed this component will represent a range of housing types and is broadly allocated with the same method as Component D.

While the distribution of Component D and F are framed as shares of the five income groups, the affordability analysis to assign units to housing type is based on smaller income ranges, as available in the census. This has resulted in some of the income groups being split into multiple categories as they do not currently align with the housing costs associated with the four types. The next section explores the income group and household size distributions for owners and renters represented by Components D and F.

Income Group + Bedroom Count Allocation

This section explores the distribution of Components D and F by income group and household size, with a final breakdown by income group and number of bedrooms required to meet the National Occupancy Standards[8]. The allocations have been calculated for both 5- and 10-year breakdowns of HNRM results. The projected distribution of future renter (50%) and owner households (50%) used in the housing type analysis was applied to inform the allocation of the results by income group and household size.[9]

By projecting a larger share of future households as renters, the overall distribution of households by income group shifts towards the lower income groups, with 5% less of the total in the above average group. See **Appendix B** for a full set of 5- and 10-year tables in, alongside supplemental breakdowns with proportions (%) rather than unit counts.

10-YEAR ALLOCATION OF PROJECTED GROWTH + DEMAND BUFFER

Table 6 provides the distribution of all households by income group and household size (2021 Census distribution carried forward) applied to Components D and F combined.

Table 6: Estimated 10-Year Future Demand by Income Group and Household Size, All Households, City of Vernon[10]

Income Group	Very Low	Low	Moderate	Average	Above Average		
Household Income	< $15,000	$15,000 – $34,999	$35,000 – $59,999	$60,000 – $89,999	$90,000+		
Monthly Affordable Housing Cost	< $376	$376 – $875	$876 – $1,500	$1,501 – $2,250	> $2,250	**TOTAL**	**%**
1-person	78	812	444	251	117	**1,702**	37%
2-person	11	149	402	462	676	**1,700**	37%
3-person	0	33	80	129	324	**566**	12%
4+person	0	4	28	121	507	**660**	14%
TOTAL	**89**	**998**	**954**	**963**	**1,624**	**4,628**	100%
%	2%	22%	21%	21%	35%	100%	

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8. Bedroom count allocation is based on the Vernon household composition distribution in the 2021 Census by income group. The distribution has been applied to the combined projected growth and demand buffer from the HNR Method calculation for all households, renters, and owners.
9. Based on an assessment of the share of new households who rent or own, and the number of rental completions, from 2011-2021.
10. Future demand as presented includes Components D and F

Table 7 provides the distribution of **owner households** by income group and household size (2021 Census distribution) applied to Components D and F.

Table 7: Estimated 10-Year Future Demand by Income Group and Household Size, Owner Households, City of Vernon

Income Group	Very Low	Low	Moderate	Average	Above Average	TOTAL	%
Household Income	< $15,000	$15,000 – $34,999	$35,000 – $59,999	$60,000 – $89,999	$90,000+		
Monthly Affordable Housing Cost	< $376	$376 – $875	$876 – $1,500	$1,501 – $2,250	> $2,250	TOTAL	%
1-person	19	238	169	121	70	**617**	26%
2-person	4	55	189	245	518	**1,011**	44%
3-person	0	4	16	51	225	**296**	13%
4+person	0	4	4	36	346	**390**	17%
TOTAL	23	301	378	453	1,159	**2,314**	100%
%	1%	13%	16%	20%	50%	100%	

Table 8 provides the distribution of **renter households** by income group and household size (2021 Census distribution) applied to Components D and F.

Table 8: Estimated 10-Year Future Demand by Income Group and Household Size, Renter Households, City of Vernon

Income Group	Very Low	Low	Moderate	Average	Above Average	TOTAL	%
Household Income	< $15,000	$15,000 – $34,999	$35,000 – $59,999	$60,000 – $89,999	$90,000+		
Monthly Affordable Housing Cost	< $376	$376 – $875	$876 – $1,500	$1,501 – $2,250	> $2,250	TOTAL	%
1-person	59	574	275	130	47	**1,085**	47%
2-person	7	94	213	217	158	**689**	29%
3-person	0	29	64	78	99	**270**	12%
4+person	0	0	24	85	161	**270**	12%
TOTAL	66	697	576	510	465	**2,314**	**100%**
%	3%	30%	25%	22%	20%	100%	

This approach results in exact unit estimates; however, the ultimate focus should be on the general distribution of units across the income groups rather than the precise number of units. See **Appendix B** for versions of the above tables with the proportion of units (%) by household size and income group for reference.

For renters, there is a clear and direct relationship between household income and the housing cost they can afford. However, many owners can purchase despite incomes being too low to qualify at first glance. Many owners have existing equity in their homes to leverage, assistance from family, or inheritances, to support accessing ownership housing. As a result, there may be new owner households in the bottom four income groups who are able to purchase despite their incomes.

Bedroom Allocation

There is not a completely direct and consistent relationship between the number of people in a household and number of bedrooms required to meet their housing need due to variations in household composition and the resulting difference in bedroom needs. For example, a three-person household comprising one couple with one child requires two bedrooms to meet the National Occupancy Standards; however, a three-person household with three unrelated roommates would require three bedrooms. Alternatively, a four-person household comprising two couples would only require two bedrooms. While larger households typically need more bedrooms, it is not always the case.

This distribution is based on meeting the minimum basic needs of households, however, many households prefer having an extra bedroom for visitors, storage, office space or other uses. When financially able, many households will seek out larger dwellings than required to meet their needs, but this analysis does not contemplate this factor (which largely comes down to personal choice and financial capacity rather than housing need).

The backend analysis for the bedroom and income group distributions in Table 9 (unit count by bedrooms) and Table 10 (percent distribution by bedrooms) are per income group. For example, based on the analysis of the distribution of household composition of low-income households, 92% would need one-bedroom. This approach has been chosen as there is a relationship between incomes, household size, and composition.[11]

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11. Undertaking this analysis based on each individual income group results in a higher estimated need for smaller units than an aggregated analysis would provide. Changing demographic trends and an aging population are resulting in an increasing need for smaller housing units than in the past. Many communities also have a higher concentration of larger units (typically detached houses), while there is a direct relationship between housing affordability and unit size. Addressing affordability for many household may involve developing smaller units than the historical trend.

Table 9: Estimated 10-Year Future Demand by Minimum Bedrooms Required, City of Vernon

| | Income Group | | | | | |
Unit Size	Very Low	Low	Moderate	Average	Above Average	TOTAL
1-bedroom	71	784	682	588	777	**2,902**
2-bedroom	6	60	150	198	571	**985**
3-bedroom	0	29	51	145	447	**672**
4+bedroom	0	0	9	9	51	**69**
TOTAL	**77**	**873**	**892**	**940**	**1,846**	**4,628**

Table 10: Estimated 10-Year Future Demand Minimum Bedrooms Required Income Group Distribution, City of Vernon[12]

| | Income Group | | | | |
Unit Size	Very Low	Low	Moderate	Average	Above Average
1-bedroom	92%	90%	76%	62%	42%
2-bedroom	8%	7%	17%	21%	31%
3-bedroom	0%	3%	6%	16%	24%
4+bedroom	0%	0%	1%	1%	3%
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**

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12. Describes the share of future demand by bedroom count and income group. For example, 100% Very Low income households are estimated to require at least a 1-bedroom unit, while 77% of Moderate income households are estimated to require a 1-bedroom unit and 16% require a 2-bedroom unit.

Interpreting the Results + Housing System Affordability

> **The housing need estimates describe the potential demand for new housing units of various types, tenures, and price ranges to address estimated current and future housing needs.**

Accurately estimating current and future housing need is not a simple exercise, and addressing any estimated need can be even more challenging for local governments, which do not typically construct housing. Addressing the current and future housing needs of the community is primarily dependent on the construction of new housing by individual private and non-profit actors, ideally as closely matched to need as possible. Local governments can use regulations and incentives to encourage certain outcomes, but do not directly control what is developed. Meeting need also comes down to the choices households make about where to live, whether to move, how much space they want or can afford, and other factors.

All new households will not necessarily require a new dwelling to meet their needs because existing homes may become available when a current household moves into a new unit. This means the actual number of new units needed may vary from the assessed demand. An important consideration for addressing housing need is the impact of these moves, the resulting vacancies, and how it drives filtering of prices in the housing system. **Filtering describes the way units become available to lower income households as they age, allowing households to meet their needs by sorting themselves into housing they can afford.**

As a household's need or income changes, they may decide to move into a larger or more expensive dwelling, thereby freeing up their existing (and potentially more affordable) home for another household. These moves can trigger a chain of moves and available units, where one vacated unit allows another household to move into it. As households access bigger, newer, or otherwise more desirable dwellings over time, and as incomes increase, priorities change and/or families grow, these chains of moves can create room for lower income households in existing and relatively more affordable housing.

Where there is a sufficient supply of new housing to meet demand, older units should filter down in price. In contrast, if supply is insufficient, older units may filter up in price. **A key aspect of the current housing challenge is most dwellings have been filtering up in price, regardless of age or physical depreciation**. In some high-demand areas, the rent for older dwellings is the same or similar to newer dwellings, despite clear differences in quality.

In a balanced market, older homes should become relatively more affordable. This means the needs of a low- or moderate-income household could be met by a new market-priced unit being created, not because they move into it, but due to an opening created within the existing housing stock. In this way, addressing all housing need or demand will not necessarily rely on the construction of new units for all households. **Protecting the existing stock of older, relatively more affordable housing is important as it allows for downward filtering as new dwellings are added.**

All else being equal, adding a significant number of market-rate units can therefore have a positive impact for lower income households, as long as it is not replacing dwellings that could otherwise be affordable to those households. Although it may seem counterintuitive, **new market-rate homes can enhance overall affordability by absorbing higher-income households who can afford them.** Without other options, these households would bid up the price of existing lower cost housing. **Nonetheless, it is unlikely the needs of very low- and low-income households can be effectively met by the market.** Non-market housing options will also be needed, especially for the foreseeable future while existing supply imbalances are being addressed; any efforts to support lower prices in new housing construction will be vital to meeting the needs of these households.

These dynamics are more complicated when considering ownership housing. While the same patterns generally apply, where households will sort themselves into housing based on their needs and means, there can be extra costs and effort involved in changing dwellings for owners. Additionally, while owner households can be distributed into the five income groups, as seen in Table 7 (page 10), **more than 50% of new owner households projected over the next 10-years likely could not purchase a dwelling today based on incomes alone.** Many owners have existing equity they can use when purchasing a new home or, in the case of first-time buyers, they often receive support from parents or use an inheritance. Senior owners may have a significantly reduced income from when they first purchased.

Most newly built ownership housing will be at the upper end of the price spectrum, but when an existing owner moves into a new dwelling, the previous unit becomes available, likely at a lower price-point than a new dwelling. Ownership housing will still filter down in price as supply increases relative to demand, but it is difficult to understand or predict exactly how households are purchasing, or what they will be able to purchase, compared to renter households where the relationship between incomes and cost of affordable housing is clearer.
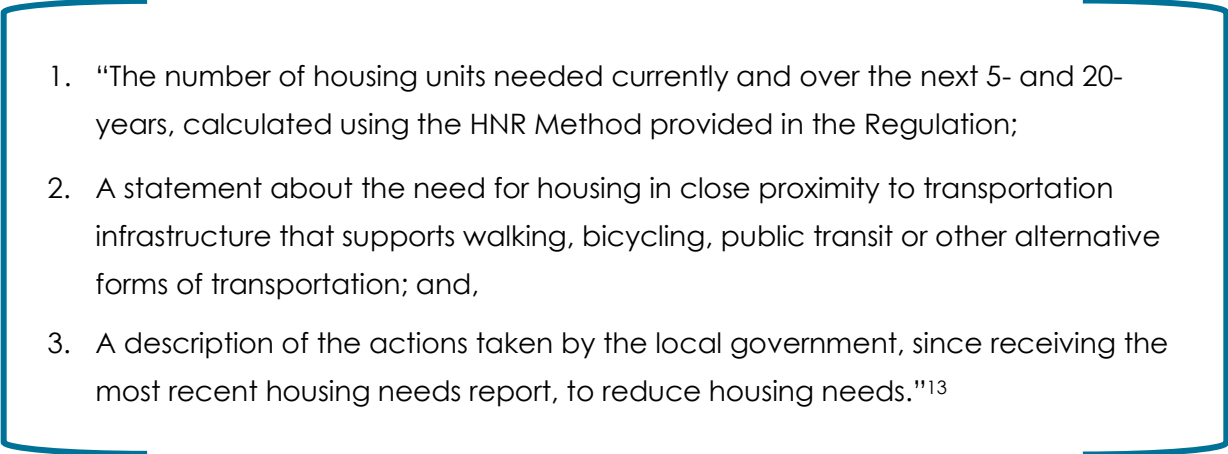
Key Takeaways

- The housing type demand estimates are based on a set of current assumptions, which may vary over time or by data source.

- The housing demand estimates represent how current unmet and projected future need could be accommodated through **new dwellings**. However, not all households will need new dwellings to meet their needs because vacancy may be created when an existing household moves into a new dwelling.

- In general, all net additional housing improves the affordability of the housing system at a high level. In existing urban areas, the greatest impact will be when low-density, relatively expensive housing is replaced by higher density, relatively more affordable housing. Some households will need non-market options to afford their housing, and supporting its development will have the highest impact on affordability.

- If the estimated demand for market rental or ownership housing has been met, it does not mean the local government should stop allowing more to be built. If higher cost housing is not added, higher income households will simply pay more for existing lower cost homes, thereby bidding-up the price until lower income households have been priced-out. Historical lack of market supply to absorb high-income households is a key driver of current housing prices.

- Policies or incentives to shift development to non-market options would be positive and necessary to meet the needs of some households. Protecting the existing, relatively more affordable housing is also key, this may often be older market rental and other multi-unit housing forms.

- **Regular five-year updates to the estimates will help determine how effectively recent development has addressed the identified needs within the complexity of household choice, the diversity of ways first time buyers purchase, and how filtering can address the needs of some lower income households without building a new dwelling for them.**

Conclusion

This technical memo provides the legislatively required content for an Interim Housing Needs Report with additional supplemental analysis. **Appendix A** includes all Interim Report requirements as per Part 14 of the *Local Government Act*:

1. "The number of housing units needed currently and over the next 5- and 20-years, calculated using the HNR Method provided in the Regulation;

2. A statement about the need for housing in close proximity to transportation infrastructure that supports walking, bicycling, public transit or other alternative forms of transportation; and,

3. A description of the actions taken by the local government, since receiving the most recent housing needs report, to reduce housing needs."[13]

The supplemental analysis in this memo provides a finer grain understanding of the total number of estimated units required to meet local need as per the HNR Method and will support crafting effective housing policies and land use regulations in City of Vernon, particularly for the current Official Community Plan update process.

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13. Requirements as described in the Ministry of Housing's Guide to Requirements for Housing Needs Reports (June 2024).

APPENDIX A

INTERIM HOUSING NEEDS REPORT REQUIRED CONTENT

Interim Housing Needs Report Legislative Requirements

Table 1 provides the required results of the HNR Method calculation as per the Ministry of Housing's **Guidelines for Housing Needs Reports – HNR Method Technical Guidance** to estimate housing need for 5- and 20-years.

Table 1: 5- and 20-Year HNR Method Housing Need Estimates, City of Vernon

Component	Detail	5-year	20-Year
A	Extreme Core Housing Need	258.0	1,031.8
B	Person Experiencing Homelessness	166.2	332.4
C	Suppressed Household Formation	231.3	925.1
D	Anticipated Household Growth	2,310.2	7,811.1
E	Rental Vacancy Rate Adjustment	38.4	153.8
F	Demand Factor	307.5	1,230.1
	Total	**3,312**	**11,484**

Statement on Housing Need in Proximity to Alternative Transportation Infrastructure

Recognizing the strong connection between land use, housing, and transportation, the City of Vernon is updating its Official Community Plan alongside its Transportation Plan. This coordinated effort ensures that land use policies align with the future transportation network and addresses the critical link between housing and access to safe, affordable, and efficient transportation options. By expanding access to alternative and active transportation modes, the City strives to help reduce transportation costs for households, especially those impacted by rising living expenses.

## Description of Actions Taken by Local Government to Reduce Housing Need

In response to the findings of the 2020 Housing Needs Report, Vernon's City Council endorsed a new Housing Action Plan (HAP) in September 2022. The Plan outlines five strategic directions and 20 specific actions to guide policy development and decision-making. Since adopting the HAP, the City has successfully implemented the following initiatives:

- Developed and adopted a new Zoning Bylaw aimed at reducing cumbersome regulations and promoting diverse housing options, including secondary suites, accessory dwelling units, multi-unit developments, and mixed-use projects.

- Collaborated with the Regional District of North Okanagan to complete a design competition that produced pre-approved plans, streamlining the process for constructing secondary dwellings.

- Implemented short-term rental regulations in line with new Provincial legislation under the Short-Term Rental Accommodations Act.

- Aligned land use regulations with new Provincial housing legislation to support small-scale multi-unit housing and transit-oriented development.

- Introduced floor area ratio (FAR) density controls in medium-density and mixed-use zones, increasing flexibility in designing diverse housing options to meet market needs.

- Submitted applications for CMHC Housing Accelerator Funding in both rounds 1 and 2.

- Offered incentives and fast-tracked applications for non-profit housing developments.
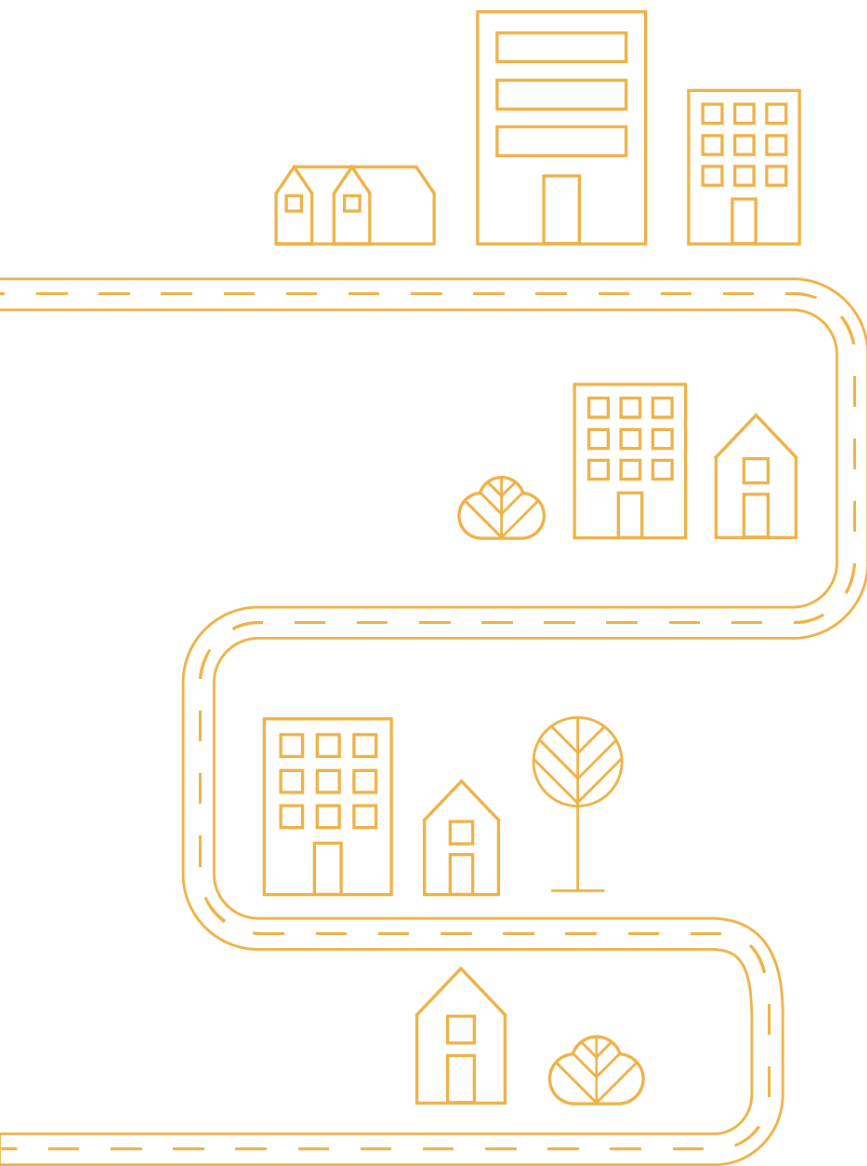
APPENDIX B
HNR METHOD RESULTS + SUPPLEMENTAL TABLES

LIST OF TABLES

HNR METHOD RESULTS

Table 1: 5-, 10-, and 20-Year HNR Method Housing Need Estimates, City of Vernon

Component	Detail	5-year	10-Year	20-year
A	Extreme Core Housing Need	258	516	1,032
B	Person Experiencing Homelessness	166	249	332
C	Suppressed Household Formation	231	463	925
D	Anticipated Household Growth	2,310	4,013	7,811
E	Rental Vacancy Rate Adjustment	38	77	154
F	Demand Factor	308	615	1,230
	Total	**3,312**	**5,933**	**11,484**

HOUSING TYPE AND TENURE ALLOCATION

Table 2: 5-Year and 10-Year HNR Method Type and Tenure Allocation

Timeframe		MARKET RENTAL	NON-MARKET RENTAL	DEEP SUBSIDY + SUPPORTIVE RENTAL	OWNERSHIP	TOTAL
5-Years	#	**674**	**822**	**373**	**1,442**	**3,312**
	%	20%	25%	11%	44%	100%
10-Years	#	**1,249**	**1,490**	**638**	**2,556**	**5,933**
	%	21%	25%	11%	43%	100%

5-YEAR ALLOCATION OF PROJECTED GROWTH + DEMAND BUFFER

All Households

Table 3: Estimated 5-Year Future Demand by Income Group and Household Size, All Households, City of Vernon

Income Group	Very Low	Low	Moderate	Average	Above Average	TOTAL	%
% AMI	< 20%	20–49%	50–79%	70–119%	> 120%		
Household Income	<$15,000	$15,000 – $34,999	$35,000 – $59,999	$60,000 – $89,999	$90,000+		
Monthly Affordable Housing Cost	<$376	$376 – $875	$876 – $1,500	$1,501 – $2,250	>$2,250	TOTAL	%
1-person	44	460	251	141	66	**962**	37%
2-person	7	84	228	262	382	**963**	37%
3-person	0	19	45	73	183	**320**	12%
4+person	0	2	16	68	287	**373**	14%
TOTAL	51	565	540	544	918	**2,618**	100%
%	2%	22%	21%	21%	35%	100%	

Table 4: Proportional Allocation of Estimated 5-Year Future Demand by Income Group and Household Size, All Households, City of Vernon

INCOME GROUP

HOUSEHOLD SIZE	Very Low	Low	Moderate	Average	Above Average
1-person	1.7%	17.6%	9.6%	5.4%	2.5%
2-person	0.3%	3.2%	8.7%	10.0%	14.6%
3-person	0%	0.7%	1.7%	2.8%	7.0%
4+person	0%	0.1%	0.6%	2.6%	11.0%
TOTAL	2.0%	21.6%	20.6%	20.8%	35.1%

Owner Households

Table 5: Estimated 5-Year Future Demand by Income Group and Household Size, Owners, City of Vernon

Income Group	Very Low	Low	Moderate	Average	Above Average		
% AMI	<20%	20-49%	50-79%	70-119%	>120%		
Household Income	<$15,000	$15,000 – $34,999	$35,000 – $59,999	$60,000 – $89,999	$90,000+		
Monthly Affordable Housing Cost	<$376	$376 – $875	$876 – $1,500	$1,501 – $2,250	> $2,250	TOTAL	%
1-person	11	135	95	68	40	**349**	26%
2-person	3	31	107	139	293	**573**	44%
3-person	0	2	9	29	127	**167**	13%
4+person	0	2	2	20	196	**220**	17%
TOTAL	14	170	213	256	656	1,309	100%
%	1%	13%	16%	20%	50%	100%	

Table 6: Proportional Allocation of Estimated 5-Year Future Demand by Income Group and Household Size, Owners, City of Vernon

INCOME GROUP

HOUSEHOLD SIZE	Very Low	Low	Moderate	Average	Above Average
1-person	0.8%	10.3%	7.3%	5.2%	3.1%
2-person	0.2%	2.4%	8.2%	10.6%	22.4%
3-person	0%	0.2%	0.7%	2.2%	9.7%
4+person	0%	0.2%	0.2%	1.5%	15.0%
TOTAL	1.1%	13.0%	16.3%	19.6%	50.1%

Renter Households

Table 7: Estimated 5-Year Future Demand by Income Group and Household Size, Renters, City of Vernon

Income Group	Very Low	Low	Moderate	Average	Above Average		
% AMI	<20%	20-49%	50-79%	70-119%	>120%		
Household Income	<$15,000	$15,000 – $34,999	$35,000 – $59,999	$60,000 – $89,999	$90,000+		
Monthly Affordable Housing Cost	<$376	$376 – $875	$876 – $1,500	$1,501 – $2,250	> $2,250	TOTAL	%
1-person	33	325	156	73	26	**613**	47%
2-person	4	53	121	123	89	**390**	29%
3-person	0	17	36	44	56	**153**	12%
4+person	0	0	14	48	91	**153**	12%
TOTAL	37	395	327	288	262	1,309	100%
%	3%	30%	25%	22%	20%	100%	

Table 8: Proportional Allocation of Estimated 5-Year Future Demand by Income Group and Household Size, Renters, City of Vernon

INCOME GROUP

HOUSEHOLD SIZE	Very Low	Low	Moderate	Average	Above Average
1-person	2.5%	24.8%	11.9%	5.6%	2.0%
2-person	0.3%	4.0%	9.2%	9.4%	6.8%
3-person	0%	1.3%	2.8%	3.4%	4.3%
4+person	0%	0%	1.1%	3.7%	7.0%
TOTAL	2.8%	30.2%	25.0%	22.0%	20.1%

Bedroom Allocation

Table 9: Estimated 5-Year Future Demand by Minimum Bedrooms Required, City of Vernon

UNIT SIZE	INCOME GROUP					TOTAL
	Very Low	Low	Moderate	Average	Above Average	
1-bedroom	40	443	386	333	439	**1,641**
2-bedroom	4	34	84	112	323	**557**
3-bedroom	0	17	29	82	253	**381**
4+bedroom	0	0	5	5	29	**39**
TOTAL	**44**	**494**	**504**	**532**	**1,044**	**2,618**

Table 10: Estimated 5-Year Future Demand Minimum Bedrooms Required Income Group Distribution, City of Vernon

UNIT SIZE	INCOME GROUP				
	Very Low	Low	Moderate	Average	Above Average
1-bedroom	92%	90%	76%	62%	42%
2-bedroom	8%	7%	17%	21%	31%
3-bedroom	0%	3%	6%	16%	24%
4+bedroom	0%	0%	1%	1%	3%
TOTAL	100%	100%	100%	100%	100%

10-YEAR ALLOCATION OF PROJECTED GROWTH + DEMAND BUFFER

All Households

Table 11: Estimated 10-Year Future Demand by Income Group and Household Size, All Households, City of Vernon

Income Group	Very Low	Low	Moderate	Average	Above Average	TOTAL	%
% AMI	<20%	20-49%	50-79%	70-119%	>120%		
Household Income	<$15,000	$15,000 – $34,999	$35,000 – $59,999	$60,000 – $89,999	$90,000+		
Monthly Affordable Housing Cost	<$376	$376 – $875	$876 – $1,500	$1,501 – $2,250	> $2,250	TOTAL	%
1-person	78	812	444	251	117	**1,702**	37%
2-person	11	149	402	462	676	**1,700**	37%
3-person	0	33	80	129	324	**566**	12%
4+person	0	4	28	121	507	**660**	14%
TOTAL	**89**	**998**	**954**	**963**	**1,624**	**4,628**	100%
%	2%	22%	21%	21%	35%	100%	

Table 12: Proportional Allocation of Estimated 10-Year Future Demand by Income Group and Household Size, All Households, City of Vernon

INCOME GROUP

HOUSEHOLD SIZE	Very Low	Low	Moderate	Average	Above Average
1-person	1.7%	17.6%	9.6%	5.4%	2.5%
2-person	0.2%	3.2%	8.7%	10.0%	14.6%
3-person	0%	0.7%	1.7%	2.8%	7.0%
4+person	0%	0.1%	0.6%	2.6%	11.0%
TOTAL	1.9%	21.6%	20.6%	20.8%	35.1%

Owner Households

Table 13: Estimated 10-Year Future Demand by Income Group and Household Size, Owners, City of Vernon

Income Group	Very Low	Low	Moderate	Average	Above Average	TOTAL	%
% AMI	<20%	20-49%	50-79%	70-119%	>120%		
Household Income	<$15,000	$15,000 – $34,999	$35,000 – $59,999	$60,000 – $89,999	$90,000+		
Monthly Affordable Housing Cost	<$376	$376 – $875	$876 – $1,500	$1,501 – $2,250	> $2,250	TOTAL	%
1-person	19	238	169	121	70	**617**	26%
2-person	4	55	189	245	518	**1,011**	44%
3-person	0	4	16	51	225	**296**	13%
4+person	0	4	4	36	346	**390**	17%
TOTAL	23	301	378	453	1,159	2,314	100%
%	1%	13%	16%	20%	50%	100%	

Table 14: Proportional Allocation of Estimated 10-Year Future Demand by Income Group and Household Size, Owners, City of Vernon

INCOME GROUP

HOUSEHOLD SIZE	Very Low	Low	Moderate	Average	Above Average
1-person	0.8%	10.3%	7.3%	5.2%	3.0%
2-person	0.2%	2.4%	8.2%	10.6%	22.4%
3-person	0%	0.2%	0.7%	2.2%	9.7%
4+person	0%	0.2%	0.2%	1.6%	15.0%
TOTAL	1.0%	13.1%	16.4%	19.6%	50.1%

Renter Households

Table 15: Estimated 10-Year Future Demand by Income Group and Household Size, Renters, City of Vernon

Income Group	Very Low	Low	Moderate	Average	Above Average	TOTAL	%
% AMI	<20%	20-49%	50-79%	70-119%	>120%		
Household Income	<$15,000	$15,000 – $34,999	$35,000 – $59,999	$60,000 – $89,999	$90,000+		
Monthly Affordable Housing Cost	<$376	$376 – $875	$876 – $1,500	$1,501 – $2,250	> $2,250	TOTAL	%
1-person	59	574	275	130	47	1,085	47%
2-person	7	94	213	217	158	689	29%
3-person	0	29	64	78	99	270	12%
4+person	0	0	24	85	161	270	12%
TOTAL	66	697	576	510	465	2,314	100%
%	3%	30%	25%	22%	20%	100%	

Table 16: Proportional Allocation of Estimated 10-Year Future Demand by Income Group and Household Size, Renters, City of Vernon

INCOME GROUP

HOUSEHOLD SIZE	Very Low	Low	Moderate	Average	Above Average
1-person	2.5%	24.8%	11.9%	5.6%	2.0%
2-person	0.3%	4.1%	9.2%	9.4%	6.8%
3-person	0%	1.3%	2.8%	3.4%	4.3%
4+person	0%	0%	1.0%	3.7%	7.0%
TOTAL	2.9%	30.1%	24.9%	22.0%	20.1%

Bedroom Allocation

Table 17: Estimated 10-Year Future Demand by Minimum Bedrooms Required, City of Vernon

UNIT SIZE	INCOME GROUP					TOTAL
	Very Low	**Low**	**Moderate**	**Average**	**Above Average**	
1-bedroom	71	784	682	588	777	**2,902**
2-bedroom	6	60	150	198	571	**985**
3-bedroom	0	29	51	145	447	**672**
4+bedroom	0	0	9	9	51	**69**
TOTAL	**77**	**873**	**892**	**940**	**1,846**	**4,628**

Table 18: Estimated 10-Year Future Demand Minimum Bedrooms Required Income Group Distribution, City of Vernon

UNIT SIZE	INCOME GROUP				
	Very Low	**Low**	**Moderate**	**Average**	**Above Average**
1-bedroom	92%	90%	76%	62%	42%
2-bedroom	8%	7%	17%	21%	31%
3-bedroom	0%	3%	6%	16%	24%
4+bedroom	0%	0%	1%	1%	3%
TOTAL	100%	100%	100%	100%	100%