THE AFFORDABILITY GAP – IDEA STARTERS

A BLUEPRINT FOR COLLABORATION

LEVERAGING COORDINATION & COLLABORATION TO BUILD MORE AFFORDABLE HOUSING

THE CONTEXT

The Toronto region has an urgent housing affordability crisis. Throughout the region, real estate and rental prices are out of reach for many, construction of new homes continues to lag behind population growth, labour markets are seeing significant gaps in skilled trades, and inflation is significantly impacting costs across the board. It is also a space with multiple stakeholders (including all orders of government), differing views on the path forward, and where process often gets in the way of progress. **What realistic solutions exist to more effectively mobilize private, public, & non-profit actors to make housing more attainable and affordable?**

WHY IT MATTERS

Housing is a fundamental human right in Canada that directly impacts our livelihoods, our communities, and our overall economic success. In fact, "for about 1.7 million households in Canada, housing that is affordable, in decent shape, and suitable for them or their families is simply not available".[i] Yet housing – in all its forms – is increasingly unaffordable and/or inaccessible for many.

On top of this, Canada is set to welcome ~500,000 new Canadians in each of the next three years to help offset significant anticipated labour market gaps, many of whom are expected to settle in the GTHA. Increased housing supply in the rental and homeownership market is critical to achieving affordability – an issue that will only escalate without coordinated commitment and action across civil society.

WHAT WE KNOW

We are facing a severe housing crisis, with increasing scarcity of affordable and accessible housing.

- The last time housing was considered affordable in Ontario was in 2003 and 2004, when the average income would devote 40% of their disposable income to buy an average house. In 2021, a household on average income would have had to devote close to 60% of their incomes to housing.[ii]

The Toronto region is one of the fastest-growing regions in Canada, driven primarily by immigration.

- The population of the Toronto region is projected to reach 8.1M by 2031, representing a 25% increase from today. Immigration is expected to account for nearly 90% of this growth. [iii]
- Although immigration targets are set nationally, 40+% of new arrivals choose to settle within the GTHA, creating additional pressures to adequately handle the resulting demand on housing & infrastructure.

The number of new homes required in Ontario – and particularly in the Toronto region – is significant.

- The Canada Mortgage and Housing Corporation (CMHC) estimates that Canada needs to build an additional 3.5M affordable housing units by 2030 to restore affordability – 1.85M of these in Ontario.[iv]
- The Ontario government has committed to build 1.5 million new homes by 2031 - 285,000 of those in Toronto (an anticipated 23% increase in supply). Meeting this target would mean the completion of 31,050 homes per year, approximately double the average number of units built annually between 2017 to 2021.[v]
- In 2022, Toronto had the largest gap between demand growth and supply growth in purpose built rental apartments among large Canadian cities, driving a vacancy rate of 1.7%.[vi]

External drivers are limiting our ability to get housing built and slowing development, emphasizing the need for better coordination between stakeholders and in navigating processes.

- Although 85% of unmet housing demand can be serviced by the current pipeline of approved developments, less than 50% of approved homes typically get built. Contributing to this are a severe shortage of construction labour, inflationary impacts on cost of land and material acquisition, rising interest rates, and municipal red tape (with some approvals taking up to 10 years).
- Due to a lack of adequate public transit, new housing supply has primarily come from condos concentrated in high-priced core urban neighborhoods, which remain inaccessible to many vulnerable populations.
- Zoning laws create barriers to addressing housing capacity. In the GTHA, modest forms of density remain prohibited in most neighborhoods, with ~75% of usable land zoned for single-family homes only.
- While no one order of government has accountability for housing, all have a critical role to play and unique levers to pull – including access to funding, streamlined legislation, and aligning on policy goals.

SPOTLIGHTING ACTIONS & SUCCESSES

Vancouver's Affordable Housing Endowment Fund

The Affordable Housing Endowment Fund allows developers to contribute funds to a single portfolio comprised of all the city's non-market housing assets, in exchange for a density bonus allowing them to build more units than mandated by existing zoning laws. The AHEF is directly responsible for the creation or preservation of over 1500 subsidized housing units, managed by nonprofit housing providers.

UTILE

Working towards a structural response to the growing need for student housing, this Quebec-based social enterprise offers new housing that is cheaper than residential market prices and develops living environments that are adapted to the needs of the student population. UTILE helps to maximize the positive effects of the dynamism of the student population on urban communities while reducing the pressure it exerts on the rental market. As UTILE is a non-profit organization, its rents are protected from the logic of real estate speculation and their affordability is guaranteed in the long term. UTILE's three current apartment buildings are currently home to 750 students, which they hope to increase to 3,000 by 2027.

KEY TERMS

Affordable Housing:
In Canada, housing is considered "affordable" if it costs less than 30% of a household's before-tax income. It is a very broad term that can include housing provided by the private, public and non-profit sectors. It also includes all forms of housing tenure: rental, ownership and co-operative ownership, as well as temporary and permanent housing.[vii]

Housing Starts:

An economic indicator that reflects the number of residential housing projects that have been started over a specific length of time. These are divided into 3 types: single-family houses, townhouses or small condos and apartment buildings with 5 or more units. A housing start is counted as soon as groundbreaking begins, and each unit in a multi-family housing project is treated as a separate housing start. Monthly changes can be volatile, but the longer-term trend tracks a crucial sector for consumer spending and the broader economy.[viii]

Purpose-Built Housing
Housing built specifically for long-term rental accommodation, and a vital segment of the region's, province's and country's housing stock.[ix]

National Housing Strategy

Announced in November 2017, this is the first plan of its kind with the goal of making sure all Canadians can access housing that meets their needs and that they can afford.

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THE AFFORDABILITY GAP – IDEA STARTERS

FINANCIAL MOBILITY

RETHINKING ACCESS TO CAPITAL AND CREDIT

THE CONTEXT

Supply is often cited as the solution to our affordable housing crisis, but it's only one part of the housing equation. There are so many more variables impacting affordability including economic uncertainty, high borrowing costs, inflation, the growing cost of living, and the concentration of inter-generational wealth. These challenges are broad and complex, requiring us to collectively rethink systems and processes for both public and market-driven solutions. **How can we rethink economic pathways and financial systems to increase housing choices for more people in the GTHA?**

WHY IT MATTERS

An inclusive economy provides more opportunities for more people, especially those facing the greatest barriers to advancing their well-being. Yet the reality of our economy often seems the opposite. In today's world, fewer can actively participate in the economy or have a say over their future. With inequality continuing to grow, fewer have a solid economic foundation to start from or access to our economic systems. And – despite housing being a basic human right in Canada – fewer can even get their foot in the door in today's housing market. Safe, secure, accessible housing also directly contributes to gaining employment, food security, access to social services, education, recreation, and health care.[i] Considering new approaches to ownership, equity, credit, and more can have ripple effects for generations to come.

WHAT WE KNOW

Housing is a significant proportion of an individual's monthly costs.

- In 2023, about one-third of Canadians pay rent and that bill likely represents their largest expense.[ii] In Ontario, 35% of households spend over 50% of their income on rent and utilities.[iii]
- In a recent study, 74% of millennials living in Toronto said that owning a home is important to them - but only 22% said they think they'll ever be able to afford purchasing a property in the city. Nearly 40% of Toronto millennials surveyed said they believe they will need to relocate to ever become homeowners. [iv]

After a decade of rising house prices, more people in the GTA are turning to renting.

- The proportion of Toronto region households who own their home decreased to about 65% in 2021, down 3.2% from its peak in 2011. However, renter households jumped by about 25% from 2011 to 2021. This was especially evident among millennials (defined as those aged 25 to 40 in 2021 in the census).[v]
- The average rent in Canada is at an all-time high average of $2,024 every month. Toronto has the second-highest rents - a 2-bedroom apartment will cost an average of $3,347 per month.[vi]

Accessing credit – a core part of purchasing or renting homes – is increasingly difficult for many.

- According to Equifax, more than 3 million people in Canada aged 18+ are "credit invisible." Those with limited credit history, or 2 or less credit accounts on their file are considered to have "thin" credit. This means it is more difficult for them to access credit, housing, and may pay higher interest rates. [vii]
- Despite a perception that new-to-credit consumers struggle to build their credit ratings, those early in their credit journeys – in Canada and across the globe – generally perform as well or better than borrowers with established credit and similar risk scores.[viii]

To address long-standing barriers created by zoning, various communities have piloted or approved new and innovative approaches to help address affordability.

- In 2021, the City of Hamilton changed its bylaws to allow for the construction of secondary or additional dwelling units that are internal to the main dwelling (such as a basement apartment) or a self-contained dwelling separate from the main dwelling on a lot. The City of Toronto introduced new bylaws to ease the way for the construction of secondary structures like garden suites and laneway houses in 2019. [ix]

SPOTLIGHTING ACTIONS & SUCCESSES

BORROWELL RENT ADVANTAGE

The first of its kind in the Canadian market, the Rent Advantage program is a partnership between Borrowell and Equifax that allows tenants to report their rent payments on their residence to Equifax Canada without landlord approval, helping to boost several different factors that determine your credit score including payment history (credit payments are the single biggest factor in credit score), demonstrates credit mix, and generally helps build a credit history.

HUSMATES

Launched in December 2021, Husmates is a trust matchmaking and property listing platform matching home buyers interested in co-ownership. Living in co-ownership arrangements provides many benefits, including building equity, sharing expenses, and creating an intentional community or an alternative small-scale retirement household. The platform aims to make co-ownership available to everyone, especially those who don't already have an individual or group to buy with.

PUBLIC/PRIVATE PARTNERSHIPS TO DRIVE SOCIAL IMPACT

In May 2023, the federal government announced a $400-million social finance fund focused on investment in social purpose organizations. Administered by three investment groups (including Toronto-based Rally Assets), the fund invests across the country and across private asset classes, including private equity, private debt, real assets, and venture capital. Its investment strategy includes established and emerging private impact fund managers, community lenders making a local impact, and direct investments in some social purpose organizations.

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THE AFFORDABILITY GAP – IDEA STARTERS

STARTING LOCAL

INVESTING IN COMMUNITY-CENTRED & TRANSIT-ORIENTED LIVING

THE CONTEXT

More complete communities are more affordable communities. The integration of land use and mobility alone does note deliver the quality of life we all aspire to offer all GTHA residents. Other factors like food security, access to nature, healthcare, high quality education and training, & commerce and trade requires a more comprehensive participatory design approach from the onset if our investments are going to be optimized.

How can we more consistently centre 'community' when it comes to both public and private investments in housing & transit? And where can we replicate or scale existing successes to other parts of the GTHA?

WHY IT MATTERS

Across the region, several escalating factors are contributing to decreasing quality of life for many, and an increasing number of residents can no longer afford to live in areas close to employment zones, high quality healthcare, and other critical amenities. Instead, they are settling in neighbourhoods with their own challenges (including poor transit connectivity, historically underfunded amenities such as healthcare facilities and schools). Even neighbourhoods previously considered "affordable" are increasingly out of reach for many.

The region's population is also on track to hit the 10 million megacity mark by 2045 [i] – further exacerbating the above challenges. As our communities grow and further densify, there is both a need and an opportunity to more consistently build communities centred around people and align across sectors on a shared vision and set of outcomes.

WHAT WE KNOW

The Greater Toronto and Hamilton region is facing a severe housing affordability crisis.

- The concept of 15-minute cities has become increasingly popular in recent years, and has been touted as a key to solving the region's housing problem. [ii]
- A number of examples of transit-oriented communities are in development (or exist) including Markham Centre, Unionville Station, and Brampton Uptown Hurontario-Steeles.

Various orders of government have made significant investments in transit & development over the next decade.

- The Ontario government is investing $70.5 billion over the next 10 years for transit. [iii] KPIs in the Growth Plan promote the development of complete communities where people can live, work, shop and access services in close proximity.
- The City of Toronto is currently partnering with the Province to shape nine Transit Oriented Communities next to five new stations along the Ontario Line: East Harbour, Corktown/First Parliament, Queen/Spadina King/Bathurst and Exhibition. [iv]

Other jurisdictions are also investing in transit-oriented developments (TOD).

- US think-tank PolicyLink has set out a series of key considerations for achieving more equitable TOD including the coordination of multiple government agencies with different jurisdictions and constituencies. [v]
- The Metropolitan Planning Council has emphasized that reducing the barriers to equitable development near transit is best achieved through robust public engagement and education, providing technical assistance to community organizations, and advocating for policy change. [vi]
- The US Department of Housing and Urban Development (HUD) has found that TOD can be part of the housing affordability formula as low-income housing in TODs optimizes transit infrastructure. [vii]

SPOTLIGHTING ACTIONS & SUCCESSES

Generations Toronto - Multi-Generational Housing Development w/Aga Khan Council

Based on a successful pilot project in Calgary, Generations Toronto will provide 390 units of rental housing and a 122-bed long-term care facility, as well as an early childhood development centre, medical clinic offering primary and mental health care services, and spaces for cultural, social, and educational programming. It will also feature a community kitchen to offer daily low-cost meals for residents and seniors living in the surrounding area. Made possible by contributions from the Province of Ontario and the City of Toronto, the project is seen as a model that can pave the way for similar projects in other parts of the country.

Pearson Economic Zone – Toronto Region Board of Trade

The area surrounding Pearson International Airport is Canada's second largest employment zone and our region's gateway to growth. Home to a significant concentration of firms in advanced manufacturing, life sciences, logistics, and warehousing, "The Zone" is vital to our economy and global competitiveness. The Pearson Economic Zone Growth Initiative (PEZGI) is a joint call-to-action for business and government leaders to launch a step change in regional coordination - for transit, passenger vehicle and freight transportation, and land use planning for housing and employment, among other levers of growth.[viii]

KEY TERMS

Transit-Oriented Development (TOD):
Metrolinx defines TOD as higher density, mixed-use development
that is connected, next to, or within a short walk of transit stations and transit stops. This type of development is designed to increase transit ridership and reduce traffic congestion, increase housing supply and jobs with access to transit, catalyze complete communities based on good planning principles, and provide positive value capture for the government to maximize transit investment while reducing taxpayer burden.[x]

15-Minute City:
The 15-minute city is defined by its ability to provide access to all human needs by walking or bicycling for a quarter hour or less.[xi]

Inclusive Local Economic Opportunity Initiative - Scarborough's Greater Golden Mile

In 2018, United Way of Greater Toronto and BMO Financial Group launched a made-in-the-GTA initiative to ensure that every GTA community had the chance to benefit from our region's prosperity. The Inclusive Local Economic Opportunity Initiative (ILEO) galvanizes the strengths and levers of all sectors and industries to drive economic opportunity at the neighbourhood level, and enables the community, corporate, and public sectors to work together towards our common goal. As the first neighbourhood to be part of the initiative, the Greater Golden Mile (the stretch of Eglinton Avenue East between Victoria Park and Birchmount) is transforming a mix of chain stores, strip malls, and large parking lots, surrounded mostly by walk-up apartments and single-family homes, into a new downtown that will have ripple effects on the surrounding neighbourhoods. As of April 2022, a total of 13 developers have proposed over 32,000 new residential units and over a million square feet of retail and office space close to the new Eglinton Crosstown LRT.[ix]

Oregon Transit and Housing Study Toolkit

This toolkit provides an overview of different tools that could be employed by state and local (metropolitan, city, county, and tribal) agencies, transit providers, community-based organizations, or developers to encourage housing development, including affordable housing, well connected with transit service. The toolkit presents a summary of the lessons learned and strategies identified through this study's literature review, housing primer, case studies, and stakeholder survey.

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