THE AFFORDABLE RENTAL HOUSING CRISIS IN TORONTO

WRITTEN SUMMARY

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EXECUTIVE SUMMARY

The City of Toronto, Canada, is now the 6th most expensive city in the world in terms of rental housing. In the last decade, the cost of housing has far outpaced income growth, with house prices growing four times faster and rent growing two times faster.

Population growth is also outpacing the supply of new rental units, leading to increases in homelessness and demand for social housing. Those who can access rental housing have been forced to deal with high costs, tenure instability, and overcrowded, unsafe, or poor-quality living situations.

We are a team of three people, of which two of us are currently enrolled at Ryerson University. Our project examines the ongoing affordable rental housing crisis in Toronto, and its social and economic impacts as well as the proposed solutions. We have sought to understand the housing crisis from a systems thinking perspective. Our goals are to identify impact gaps and levers of change in the system and create a visual systems map to better understand and articulate this social challenge.

PROBLEMS LANDSCAPE

THE CURRENT STATE OF RENTAL HOUSING IN TORONTO

Toronto is home to 2.8 million people, and over the past few years has become the fastest growing city in North America. According to Demographia's 16th Annual Housing Affordability Survey 2020, Toronto is now the sixth most expensive city in the world (Cox & Pavletich, 2020; Reid, 2019). It is more expensive to find rental housing in Toronto than in San Francisco, London, and New York. In the last decade, the cost of housing has far outpaced income growth, with house prices growing four times faster and rent growing two times faster (Ayer, 2020; CANCEA & CUI, 2019; CMHC, 2020).

Rental rates are at 1.5% while condo vacancy rates hit a historic low of 0.8% in 2019, well below the 3% threshold of a healthy housing market (CMHC, 2020). Population growth is also outpacing the supply of new rental units, with Toronto's population growing 10.6 times faster than the number of rentals in 2018 (Ayer, 2020; CANCEA & CUI, 2019; CMHC, 2020).

Thus, it is not surprising that rates of homelessness and demand for social housing have also been breaking records. Since 2007, the wait list for social housing has increased by 68% while the availability of social housing has remained unchanged (City Manager & Social Services, 2019). This is an untenable situation. A lack of stable and affordable housing has long term social impacts, and disproportionately affects racialized households, immigrants, lone-parent families, and seniors (Ayer, 2020).

DEFINING AFFORDABLE HOUSING

The term "affordable housing" is often conflated with social or subsidized housing, which can lead to confusion in discussions about housing policy due to associated stigmas. It is a broad term that includes housing provided by the private, government, and non-profit sectors, as well as all forms of housing tenure, i.e. rental, ownership, co-op, temporary, and permanent housing. The conventional method of measuring used by the Canada Mortgage and Housing Corporation (CMHC) is the "shelter-cost-income ratio" where housing is considered affordable if it costs 30% or less of before tax household income.

The idea that housing is a human right is codified in international law as the right to adequate housing, specifically "the right of every woman, man, youth and child to gain and sustain a safe and secure home and community in which to live in peace and dignity". These rights are ratified in Article 25(1) of the UN Universal Declaration of Human Rights.

PROBLEMS LANDSCAPE

HOUSING AS A HUMAN RIGHT VS HOUSING AS A COMMODITY

There are competing ideas of housing as a human right versus housing as a commodity. Housing outcomes have long been a reliable measure of social stratification and class (Pattillo, 2013). However, in recent decades, middle class homeowners are purchasing housing not solely based on its suitability for shelter, but also for its potential as a financial asset.

In North America, there is an emphasized ideology that property ownership is the mark of a person's character and worth, with renting seen as a temporary measure. This social stigma is reflected in tax policies that reduce homeownership costs and not rent, laws that are designed to give landlords more power to evict tenants, and zoning laws that segregate economic groups or rental properties entirely (Pattillo, 2013). Ultimately, it leads to Toronto's current situation, where people are priced out of homeownership and into an underinvested rental market, leading to an affordable housing shortage.

THE FINANCIALIZATION OF HOUSING

The "financialization of housing" refers to structural changes to economic operations that allow for finance to dominate and transform society (August & Walks, 2018). It is characterized by profit-making practices that fund financial channels rather than trade or production, and the increasing encroachment into sectors that were non-financial, such as the housing sector (August & Walks, 2018). It is the realization of "housing as a commodity" thinking. Financialization ensures housing is treated as a financial asset at the expense of people who need it as shelter (August & Walks, 2018).

Financialization is also restructuring the social geography of cities (August, 2020). For example, in Canada, the federal and provincial governments abandoned all the responsibilities of financing urban infrastructure, basic public services and essential welfare support to municipalities, despite cities lacking the revenue capacity to meet these costs (Joy & Vogel, 2015). This led to policies such as divestments in social housing, deregulation of rental protection, vacancy decontrol (price gouging), and other practices that have opened the housing market to exploitation by financial firms (August & Walks, 2018).

PROBLEMS LANDSCAPE

THE FINANCIALIZATION OF HOUSING, CONTINUED

Toronto, in particular, requires stable funding from the provincial and federal governments to address its growing population and aging infrastructure but has been denied this necessity (Joy & Vogel, 2015). In turn, the city has had to over-rely on property taxes as its primary revenue stream, further perpetuating the need to pander to developers. Many academics conclude that financialization has reshaped the private rental housing sector, to the point where investing in existing purpose-built rental buildings leads to a loss of affordable housing because landlords are incentivized to increase rents or evict tenants to subvert rental control regulations (August, 2020; Crosby, 2020; Joy & Vogel, 2015).

We also found that the majority of government, business, and NGO reports about the affordable housing crisis fail to consider financialization, and presume that market solutions catered to developer interests are the sure-fire way to address this crisis. (Ayer, 2020; City Manager & Social Services, 2019; CMHC, 2020; CMHC, 2019). Many reports outline action plans that try to satisfy both ideologies at once, where the problems of affordable housing are framed as human rights issues but the solutions are based on the continued commodification of housing. This is the basis of system loops that reinforce and escalate the causes of this crisis. We sought to analyze and map these system loops in order to uncover the best place to intervene.

SYSTEM MAPS

STAKEHOLDER MAP

This map visualizes the intricate set of interactions between relevant stakeholders with respect to housing. These interactions can be categorized into three different sectors: public, financial, and community.

The public sector provides regulations and policies which create the underlying foundations of the affordable housing crisis. It also interacts with other sectors by providing financial and social incentives. The municipal government is a key stakeholder, as it is responsible for implementing and administering housing policies.

The financial sector provides the capital necessary for the whole system to continue, and is mainly driven by profits and cost reductions. This sector negatively interacts with struggling tenants and people in need, but interacts positively with landlords and investors.

The community sector outlines the part of society most affected by the housing crisis, and provides insight to other sectors. However, it lacks financial capability as most of the actors of change are advocacy groups or non-profit organizations.

SYSTEM LOOP #1: VICIOUS CYCLE OF HOUSING AFFORDABILITY LOSS

This loop illustrates how the increase of housing prices and rental costs is reinforced by being part of a larger positive feedback loop. It also shows why the current responses to high rental costs and vacancy rates fall short, and even play a role in perpetuating the loss of housing affordability. Strategies that are meant to increase housing supply are outweighed by many other factors that keep homeownership inaccessible, rental demand high, and subsequent costs even higher.

Furthermore, the increasing number of people dependent on support and emergency services leads to the government having to raise property taxes to generate enough revenue.

SYSTEM MAPS

SYSTEM LOOP #2:
VICIOUS CYCLE OF THE HOUSING SYSTEM BASED ON "HOUSING AS A COMMODITY" THINKING

The purpose of this loop is to illustrate how "housing as an investment or commodity" centered thinking reinforces the growth of unaffordable housing and the loss of affordable housing. It also shows how the financialization of housing, gentrification, and the types and expense of the housing that result, feed into each other.

The goal of "Housing as a Commodity" thinking is to earn as high a Return On Interest (ROI) as possible, build equity, and accumulate wealth. If a housing system is built predominantly on this premise, it becomes structured to increase costs and extract profit from the tenant class and create a more inaccessible housing market for the average homeowner. Any proposed solutions for housing affordability that depend entirely on catering to this way of thinking will ultimately only serve to perpetuate this loop.

SYSTEM LOOP #3:
SOCIAL IMPACTS OF RENTAL COSTS & HIGH DEMAND FOR AFFORDABLE HOUSING

The purpose of this loop is to highlight how high rental costs and high demand for affordable rental housing impact other social issues. It was decided that the most relevant and connected social issues would be focused on as this loop can quickly become quite expansive in terms of connections if all related social issues are included.

The social issues in this loop, if grouped into general categories, are: physical and mental health, food insecurity, employment, financial instability, and homelessness. Increasing rental costs impact renters' ability to pay rent, leading to evictions and increasing rental demand. Higher rent also means greater food insecurity which negatively impacts both physical and mental health and has further cascading negative impacts on employment, education and financial stability.

As seen in the system loop, broad social issue categories are majorly affected by high rental costs and affordable housing demand. What is also unfortunate is that the social issues typically impact each other, visualized by the interconnected categorical feedback loops.

SYSTEM MAPS

SYSTEM LOOP #4:
EXTERNAL & GLOBAL FACTORS

The purpose of this loop is to explain how external factors and mainly foreign investors impact the issue of housing affordability. By buying real estate in Toronto, foreign investors are guaranteed a stable investment with high returns, which attracts more investors and increases the price of housing as a result of increasing demand and decreasing supply.

A higher housing price leads to more public debt as individuals borrow more money in mortgages, which in turn creates a cooling and heating mechanism by way of financial regulation on one hand and attractive stable financial markets on the other hand.

Public debt is also increased by government programs aimed at combating rising housing price as most of these programs utilize financial incentives. Toronto being a fast growing city and a large emerging market attracts many foreign corporations which hire more employees and further drive demand for housing in the city contributing to the overall vicious cycle.

SOLUTIONS LANDSCAPE & IMPACT GAPS

The affordable housing crisis in Toronto is heavily impacted by government policies and decisions. All three levels of government have proposed and implemented solutions to address the current crisis. We wanted to address them and their specific impact gaps, as these flow into a series of general gap themes we identified. We address these general gap themes later in the report, along with what we see as levers of change.

FEDERAL GOVERNMENT SOLUTION: NATIONAL HOUSING STRATEGY

In 2017, the federal government introduced the National Housing Strategy (NHS) to address affordable housing in Canada. The funding-based plan allocates $55 billion over 10 years, and includes tax initiatives and loans for not-at-risk individuals attempting to purchase housing. The primary goals of the NHS are to:

1. Create new housing supply
2. Modernize existing housing
3. Reduce homelessness
4. Provide resources for community housing providers
5. Engage in innovation and research

IMPACT GAPS

The federal government's National Housing Strategy (NHS) has been criticized over the amount of new funding and type of funding being allocated:

The plan does not provide much new federal funding over previous commitments.

- A large portion of the $16.1 billion in new funding is allocated for existing structures and initiatives which do not target the individuals most at need of support.
- $11.2 billion of the National Housing Co-Investment Fund is allocated towards low-interest loans instead of direct subsidies. While it is a viable short-term solution, the recipients will need to re-pay this sum, potentially increasing individual debt further.

Additionally, the plan's funding is contingent on the result of future elections. If another political party is elected, this funding model might be changed significantly and new partnerships and funding structures will need to be developed. Finally, the NHS is a top-down approach and does not allow enough municipal and local self-determination to make the plan effective in diverse settings.

SOLUTIONS LANDSCAPE & IMPACT GAPS

PROVINCIAL GOVERNMENT SOLUTION: MORE HOMES, MORE CHOICE: ONTARIO'S HOUSING SUPPLY ACTION PLAN

Lengthy approvals and high costs have slowed the building of housing in Ontario. Additionally, rental prices are up 10-15% as of February, 2019. The provincial government does not actively build housing, but they can introduce policies and cut red tape to ease the building of housing and promote densification. In May of 2019, More Homes, More Choice: Ontario's Housing Supply Action Plan was introduced to address the province's housing crisis from a supply side. The plan promised three main objectives:

1. Cut red tape to make it easier to build the right types of housing in the right places
2. Make housing more affordable
3. Help taxpayers keep more of their hard-earned dollars

IMPACT GAPS

The plan's focus is primarily on the supply side of housing, and not at all on the demand side. While there is a perceived lack of affordable housing, this is not attributed to a low supply. The issue lies mainly in the cost of current housing. Most of the available "affordable" housing is not, in fact, affordable to the average renter in Ontario, and this plan does not address that main social issue.

Additionally, the main strategy of this plan relies on appealing to the private sector and assigning the responsibility of making affordable housing available to them. Once again, this approach does not address the social issue of unaffordable housing, and simply passes on responsibilities to another stakeholder.

SOLUTIONS LANDSCAPE & IMPACT GAPS

MUNICIPAL GOVERNMENT SOLUTIONS

#1: OPEN DOOR AFFORDABLE HOUSING PROGRAM

Toronto City Council approved the Open Door Affordable Housing Program in 2016 to accelerate affordable housing construction by providing financial contributions, fast-tracking planning approvals, and activating surplus public land. Council also approved Open Door's Investment Plan for 2016-2020 that provides funding to assist in achieving the goals of the City's Housing Opportunities Toronto Action Plan 2010-2020 (HOT) and approve 5,000 new affordable rental and 2,000 new affordable ownership homes.

IMPACT GAPS

Toronto does not use the CMHC's measure for "Affordable Housing" that is based on rent being lower than 30% of pre-tax income. Affordable Housing is instead defined as housing where the total monthly shelter cost (including heat and hydro) is at or below Toronto's average market rent (AMR) by unit type according to the CMHC's Primary Rental Report. AMR is not based on income, so it does not account for the needs of households that struggle to find affordable rent. Prospective renters will find the average price for rental listings to be much higher than the AMR as it is based on the average of rent currently being paid. Vacant units tend to have their rent increased substantially.

If Toronto City Council were to change their definition of "affordable housing" to match that of CMHC, it would likely not apply retroactively to these housing units. Additionally, the longer they take to change to the correct definition, the longer it takes for actual affordable housing to become available.

#2: INCLUSIONARY ZONING

Inclusionary zoning policy would require new residential developments to include affordable housing units, creating mixed-income housing. It typically creates housing for households earning too much to be eligible for social housing, but not enough to be able to afford market rents or prices. These "low- to moderate-income households" generally fall between the 30th and 60th percentile of the income distribution. As a policy tool, inclusionary zoning is challenged to create deeply affordable units without additional funding.

GAPS & LEVERS OF CHANGE

GENERAL GAPS	LEVERS OF CHANGE
• The lack of recognition by policymakers that the housing goals centered on valuing "Housing as a Human Right" is incompatible with market based strategies that depend on housing used for profit making.	1. Develop and fund Education programs and Advocacy campaigns that address the cultural perceptions of housing being treated as investment , and the stigma against renters and affordable housing. 2. Empower community participation in dealing with issues and addressing conflict.
• There is an assumption that underfunded social housing is the main problem.. The City of Toronto has the responsibility to provide 90% of Social Housing in the GTA and 37% of Social Housing in Ontario. Well beyond its population share and tax base. • The lack of stable funding that increases with population growth has led to the City becoming overdependent on increasing property taxes and appealing the private sector for new housing supply.	1. Address Structural Funding Problems for Municipalities and Non-profits. 2. Address the overburdening of Social Housing responsibilities on municipalities. Change funding structure & Social Housing provision expectations to reflect the population and tax base size of the city. The Federal and Provincial Government change how funding is supplied so that it is stable in the long term.
• Enforcement of existing regulations and standards set in place to protect the market from exploitation by illegal means could be improved.	1. Increase the number of inspectors and investigators with the power to enforce existing regulations and standards. 2. Municipal and provincial partners could also increase the and frequency of inspections and include a wider range of penalties aimed at repeat or serious offenders.
• The majority of government housing programs are aimed at providing more housing through incentivizing developers to build more. They don't address why there are so many people for which housing is unaffordable. This is not solely housing supply shortage income & wage growth has not kept up with inflation and living costs and -existing affordable housing is being removed from supply by equity firms and real estate investment trusts. (REITs). Thus creating a demand problem.	1. Some demand side targeted programs could include regulating the financial market, addressing workforce housing, and adjusting the income-rent gap. 2. Stricter financial regulation aimed at the real estate sector could aim to lower the amount of individuals who use real estate as a form of investment. 3. The City could also address both supply and demand the way Vienna does, by funding the production of their own housing through 1% levy, half of which is deducted from salaries that have to matched by employer contributions.
More data is needed for Strategic Planning. The key data gaps include: • Information about what rents households currently pay • How current housing is being used, and occupancy patterns • Information related to the productivity of Toronto's Social Housing Stock • Information about the Condo Rental Segment	1. Develop programs and protocols to gather needed data. 2. Collaborate with Housing Program Staff to develop streamlined ways to collect necessary data. Integrate it into their regular tasks. 3. Develop capacity building resources, methods and tools for stakeholders to implement in their own organization.

KEY INSIGHTS & LESSONS LEARNED

The state of the current housing market in Toronto has created barriers for many, especially youth and marginalized people. Some individuals are locked out of the possibility of owning property by falling into multiple vicious cycles that do not provide many exit points. Some are stuck with abusive landlords while others face increasingly unsustainable rent prices.

These issues are important to our project group as we have all been impacted by the housing issue in Toronto. Sahil has considered renting, but the high prices have deterred him from committing to rentals in Toronto. Piotr thinks that rental rates are too high to even consider renting, and has decided to continue living with his parents in order to save more money. Crystal recognizes that she is likely to be forced to choose between renting and not being able to save money or buy a house that is unsuitable in terms of size or location. Combined with increasing student debt and proliferation of low quality jobs, it is unlikely that we could ever become as financially stable as our parents were. All of us have considered moving to other cities or neighbouring boroughs to be able to afford housing.

However, not many people are so fortunate. The majority of employment is concentrated in Toronto, and many individuals are unable to move out of the city forcing them to accept the current housing market.

In the context of these major issues, the provincial government has shifted all responsibility of affordable housing onto the municipal government, which lacks resources. Toronto has a comparatively weak legislative structure when compared to other major cities worldwide, and the majority of municipal tax revenue is collected via property tax. The public sector has thus become dependent on the private sector to meet housing needs. However, the private sector is not suited for this task as their end goal is to maximize profits.

Working on this project has opened our eyes to the scope of the problem, and we hope that our readers may have also learn something new about the housing issues in Toronto.