

THE CRISIS OF AFFORDABLE RENTAL HOUSING IN TORONTO

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Intro to Housing Crises

A Housing Crisis occurs when there is an extended and increasing scarcity of affordable housing and the housing supply falls far short of demand. Most major cities are experiencing this problem as strong economic growth has led to massive population growth and sky rocketing housing prices.

There are two competing characterizations of Housing Crises:

1. The Crisis is solely the product of growth and is a supply shortage issue.
2. The Crisis is a product of inequality fueled by growth, and is rooted in housing costs outpacing income growth by increasingly wider margins.

DEFINING AFFORDABLE HOUSING

The term "affordable housing" is often conflated with social housing or subsidized housing

It is a broad term that includes housing provided by private, government, and non-profit sectors, as well as all forms of housing tenure, i.e. rental, ownership, co-op, temporary, and permanent housing.

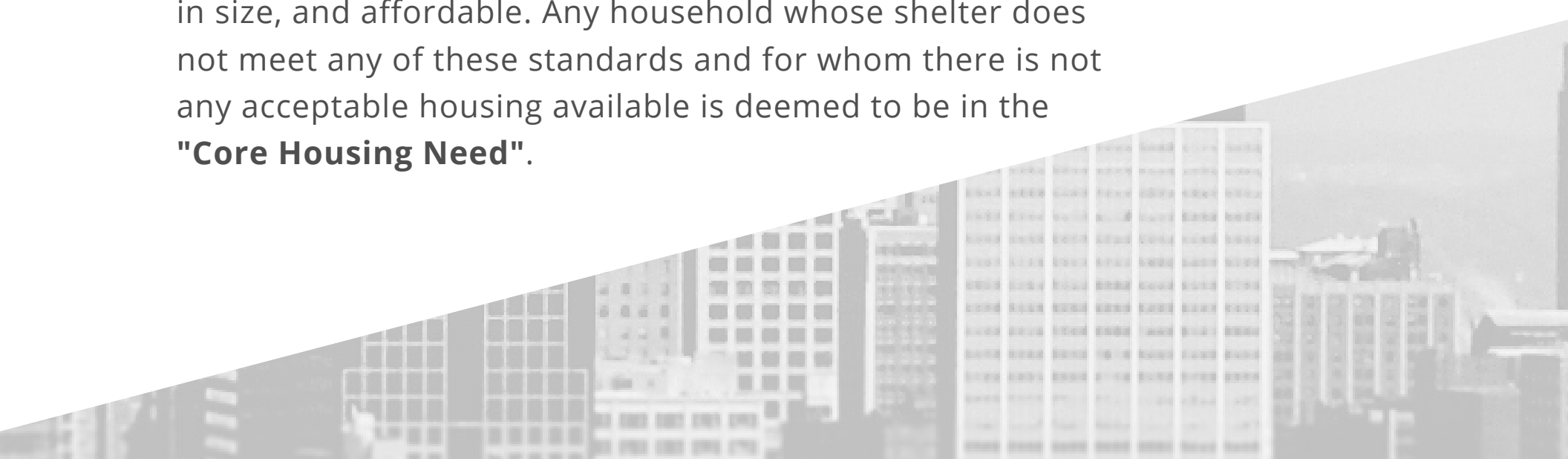
The conventional method of measuring is the "shelter-cost-income ratio" where housing is considered affordable if it costs 30% or less of before tax household income.



ADEQUATE HOUSING

As defined by the Canada Mortgage and Housing Corporation

Housing that does not require any major repairs, is suitable in size, and affordable. Any household whose shelter does not meet any of these standards and for whom there is not any acceptable housing available is deemed to be in the "Core Housing Need".





Global Affordable Housing Crisis

Accelerating World Wide Trends

- Housing related expenses rising faster than salary and wage increases.
- People forced into overcrowded or badly maintained housing or housing so costly it compromises their food security, healthcare needs and educational prospects.
- Rise in forced evictions, displacement and homelessness.

Housing Crisis in the Global South

- Face additional challenges such as informal settlements
- The U.N. estimates that about 1.6 billion people globally live in inadequate housing,
- Rapidly urbanizing cities can have rent as a share of income average 100 percent, 150 percent or higher.



Examples of Socioeconomic Impact in Urban Centres

Vancouver CANADA

Average House costs
11x
the median household income

#2

on ranking of least affordable housing in the World

Top **20%**

of Canadian households own **63%** of Canadian total net worth of real estate while bottom **40%** of households own **2%**



London

UNITED KINGDOM

Cost of property has risen by

7.7% on average over the last decade

Average Wages have increased by

1.1% on average annually from 2011 to 2017

1 in 7

UK tenants pay more than half their monthly income in rent

Average house costs almost

25x

the average household income

Limited security of Tenure for Korean renters

Lease terms are only fixed at minimum 2 years, and once expires tenants don't have a right to renew and landlords can freely increase rent

Source: 16th Annual Demographia International Housing Affordability Survey 2020
*The Ranking of Affordability in World Cities is based on the "median multiple" - a ratio of median housing costs to median incomes.

Affordable Housing Crisis in Toronto

TORONTO IS RANKED THE 6TH MOST EXPENSIVE CITY IN THE WORLD

As of 2020 it is more expensive to find rental housing in Toronto than in San Francisco, London, and New York

Since 2007, the **waitlist for Social housing** has increased by **68%** while available social housing units remain unchanged

Compared to Income Growth

Housing Prices Grow

4 x Faster

Rental Costs Grow

2 x Faster

46.8% of Tenant households spend more than **30%** of their pre-tax income on shelter costs

Nearly **1 in 5 households** live in core housing need



Rental Vacancy Rate at 1.5%

well below the 3% rate considered healthy for urban centres.

COMPETING VIEWS OF HOUSING ECOSYSTEMS & TYPES OF HOUSING



Source: Canada Mortgage and Housing Corporation

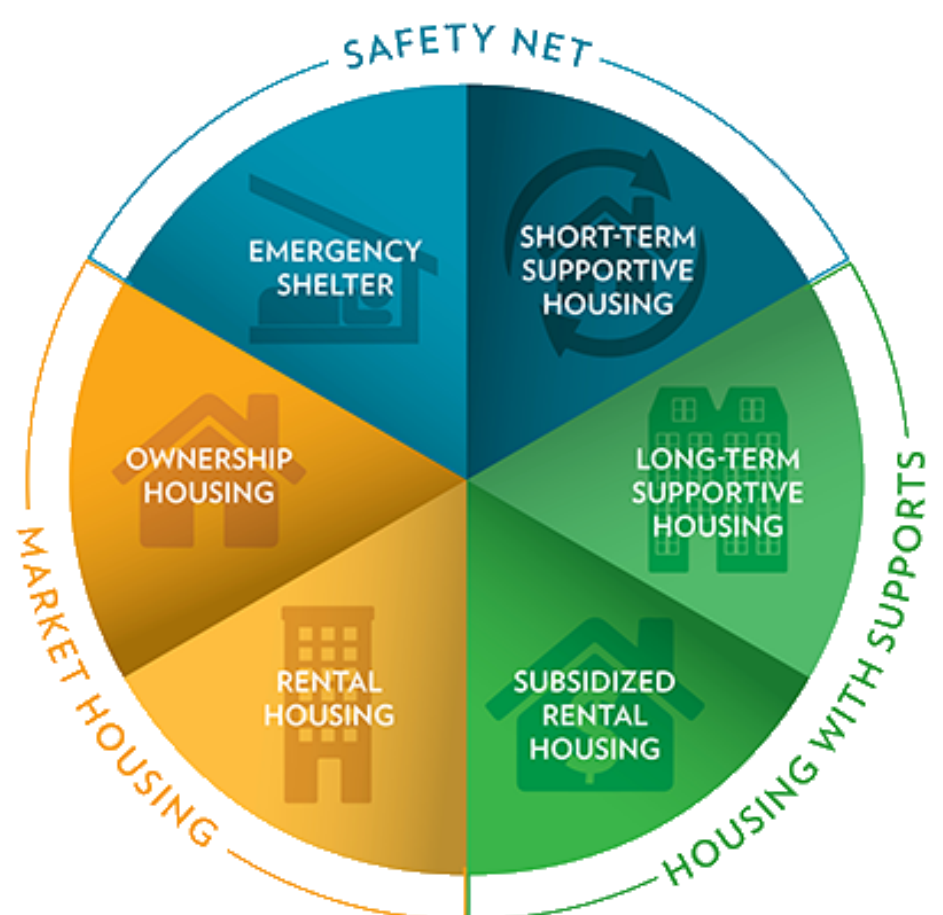
THE HOUSING CONTINUUM

The conventional way of understanding how housing operates is the housing continuum, a linear progression from housing need to homeownership depicting different segments of housing. On one end are people without a permanent residence, and on the other end is homeownership. There are pathways leading from one type of housing to another, and the lack of affordable supply on the right end will have a downstream impact on everything to its left.

THE WHEELHOUSE MODEL

An alternative approach developed by the City of Kelowna in British Columbia, Canada

This more equitable model doesn't position homeownership as the end goal, and recognizes that residents can move between different types of housing needs for a wide variety of reasons at different stages in their life.



Source: City of Kelowna - Housing Need Assessment

There are 2 types of Private Rental Housing

Primary Market

Purpose-built rentals of 3 units or more. Housing is built for rental use specifically. A corporation runs the building. Housing quality is longer lasting and tenure is more stable.

Secondary Market

Includes: Condominiums, basement apartments, duplexes, etc. Less security in tenure as you can be evicted with 60 days notice. Rent tends to be much higher than purpose-built housing.

e.g. in 2019 the Avg. Rental Apartment was \$1465 while Avg. Condo unit was \$2307.



Disproportionately Impacts Marginalized Groups

Renters are highly represented by young people, newcomers, racialized communities, single parents, single-person and low income households.

6 out of 10 recent Immigrant households in Toronto are renters



More Vulnerable to Financial Shocks and Unexpected Expenses
Renters are more likely to have lower income and job stability and less savings.

Why Focus on Rentals?



47.2 % of Private Households in Toronto are Renters
But their needs and rights tend to receive less consideration and support from policymakers

Widening Income Gap between Tenants and Homeowners

Example:
Increase in Average household income in Ontario from 1991 to 2016

Renter Households increased from \$36,872 to 53,559 (\$16,687 increase)

Homeowner households increased from \$63,782 to \$117,409 (\$53,627 increase)

source: CMHC Housing in Canada



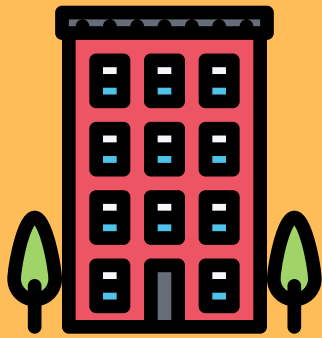
Severely Impacts Youth and Future Generations
58% of Toronto Households aged 15 - 29 & 40% aged 30 - 44 are spending more than 30% of their income on rental costs

Sources:
Canadian Urban Institute (CUI) 2019 Report
Advocacy Centre for Tenants Ontario (ACTO) 2019 & 2020 reports
City of Toronto, Housing TO Action Plan 2020-2030

RENTAL SUPPLY IN TORONTO

Growth of Rental Units by Type 2007 - 2018

Primary Rental



+ 6,379 Units

Secondary (Other)



-1,890 Units

Secondary (Condos)



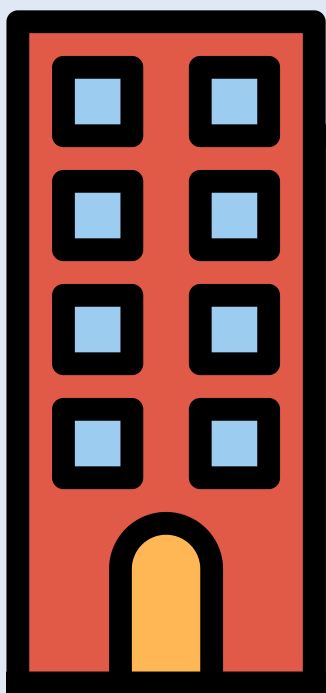
+ 88,812 Units

Change in Number of Rental Units in Toronto 2006-2016

Rent under \$1000



36%



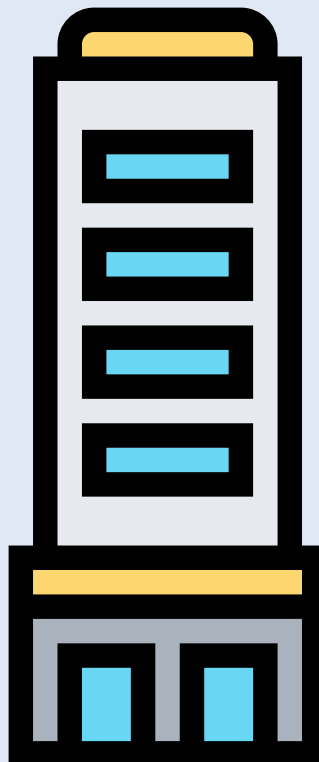
2006	2016
341,020	219,160

-121,860 Units

Rent \$1000 - \$1500



51%



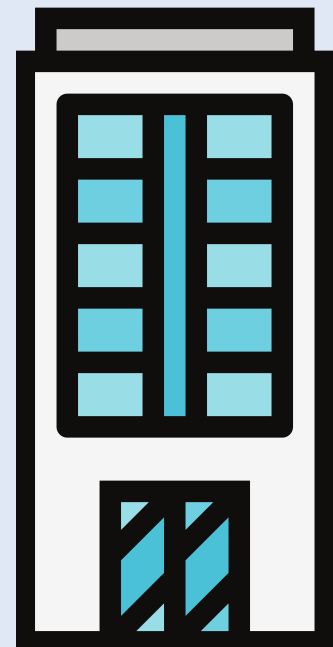
2006	2016
187,600	283,310

+95,710 Units

Rent over \$1500



323%



2006	2016
50,395	212,960

+162,565 Units

Source: Statistics Canada, Census 2006 and 2016

TREND: LOSS OF AFFORDABLE UNITS AND SHARP INCREASE IN HIGH END UNITS

This is due to 4 Factors:

1

New Rentals that were and continue to be built are predominately secondary market luxury rentals. (e.g. condos).

2

The policy of **Vacancy Decontrol** allows landlords to bypass rent controls that limit rent increases (2.2%) and raise rents to any amount for a new tenant, thus incentivizing more frequent evictions and price gouging, driving up rent prices.

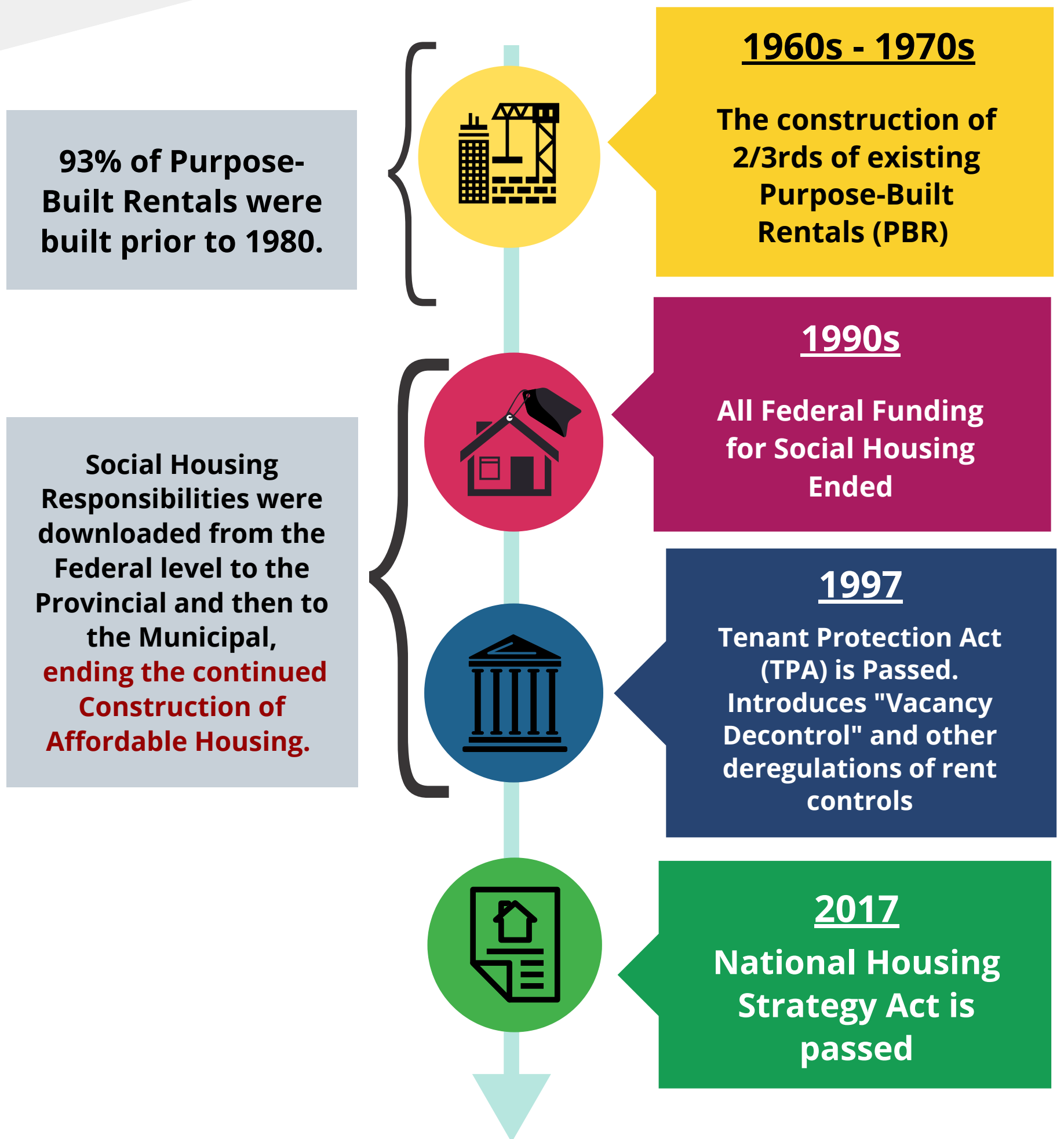
3

The Financialization of Housing led to equity firms and Real Estate Investment Trusts (REITs) buying up older purpose-built units and buildings, renovating them, hiking up the rental costs, and evicting existing tenants for those who are willing to pay a lot more.

4

Any **New Purpose-Built Rentals** are exempt from rent increase limits.

CANADA'S HOUSING POLICY TIMELINE



Vacancy Decontrol & Eviction Trends

- The 1997 Tenant Protection Act (TPA) was repealed in 2006, but the Vacancy Decontrol clause was immediately re-implemented in its successor, "The Residential Tenancies Act", which is still in effect.
- Landlords can set as high a price as they want as long as someone is willing to pay for it. This can inflate other people's rent as well.
- Landlords thus have no incentive to retain current tenants if the housing market rises and the vacancy rate is low.
- There has been a rise of no-fault evictions where the tenant has done nothing wrong (i.e. Own Use or "Reno-victions").
- Landlords' Own Use claims have nearly doubled since 2015.
- "Reno-victions" is the removal of long-term tenants for superficial renovations in order to drastically increase the price of a rental unit (i.e. Price Gouging).

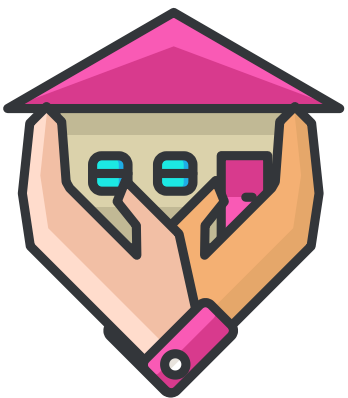
CONFLICTING CULTURAL VALUES & BELIEFS ABOUT HOUSING

HOUSING AS A SOCIAL GOOD



- The belief or concept of housing as the basis of a long-term home and as social infrastructure.
- Having stable, affordable, and safe housing is essential to family well-being, mental health, food security, and the ability to participate in our communities.
- Thus, the lack of access to affordable housing has wider societal impacts, such as income inequality, class stratification, and the formation of communities.

HOUSING AS A HUMAN RIGHT



- The idea that housing is a human right and a fundamental need is codified in international law as the right to adequate housing.
- "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."
~Article 25(1) of the UN Universal Declaration of Human Rights

HOUSING AS A COMMODITY



- When housing is purchased not solely based on its suitability as a home, but also for its potential as a financial asset.
- News of trends in housing prices, mortgage interest rates, and foreclosures are treated as a measure of national economic health.



SOCIAL BARRIERS TO DEVELOPING AFFORDABLE HOUSING



SOCIAL STIGMA AGAINST RENTERS

- The popular belief that individual property ownership is the mark of a person's character and worth. Renting is expected to be a temporary state and homeownership is the ultimate goal.
- This is reflected in tax policies that reduce homeownership costs and not rent, tenant-landlord laws that are designed or altered to give landlords more power to evict tenants, and zoning laws that end up segregating economic groups or exclude rental properties entirely.



SOCIAL STIGMA AGAINST AFFORDABLE HOUSING

- Not-in-my-backyard (NIMBY) syndrome.
- Often characterized by fears that the presence of affordable rental housing would increase crime, poverty, and service costs, as well as decrease property values.
- Attitudes that unfairly assume that renters are less civic-minded, and care less about their community than homeowners.

BELIEF THAT IT IS TOO EXPENSIVE

The Costs of Homelessness

\$2250

Monthly Cost of a single shelter bed and services in Toronto

\$306

Monthly Cost of subsidizing each unit of Toronto's social housing

Sources: City of Toronto 2017 Budget Analyst notes for Shelter, Support and Housing Administration, Canada Mortgage and Housing Corporation Housing Connections



THE FINANCIALIZATION OF HOUSING



"The term 'Financialization of Housing' refers to structural changes to economic operations that allow for finance to dominate and transform society"

- Political Economists Martine August and Alan Walks



It is the realization of "Housing as a Commodity" thinking

Can be observed in the increasing encroachment of financial practices and strategies into previously non-financial sectors such as housing.

There is internal tension between housing's "Use Value" as a home and shelter and its "Exchange Value" as a commodity

The treatment of housing as a financial asset is often done so at the expense of people who need it as shelter.

Example of Financialization Practices: The Real Estate Investment Trusts (REITs)

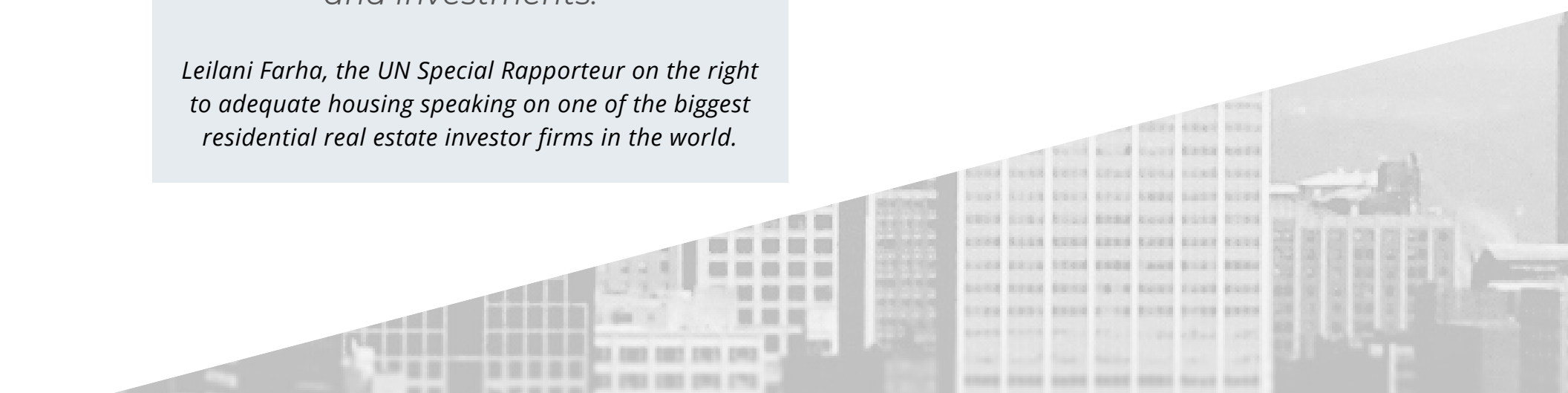
REITs buy low-income and affordable homes on behalf of a wide array of investors and then upgrade them, substantially raise the rents, and displace residents that cannot afford it. Their goal is to maximize investor yield that comes from the income generated from monthly rent.

Policies, such as divestment from social housing, removal of rental protections, and vacancy decontrol have opened the housing market up to exploitation by financial firms.

In Toronto, REITs have purchased aging purpose-built housing and essentially removed it from the affordable housing stock, while forcing former tenants to look for more housing, thus increasing the rental demand.

"Almost overnight, multinational private equity and asset management firms like Blackstone have become the biggest landlords in the world, purchasing thousands and thousands of units in North America, Europe, Asia, and Latin America. They have changed the global housing landscape. Pouring unprecedented amounts of capital into housing, they have converted homes into financial instruments and investments."

Leilani Farha, the UN Special Rapporteur on the right to adequate housing speaking on one of the biggest residential real estate investor firms in the world.



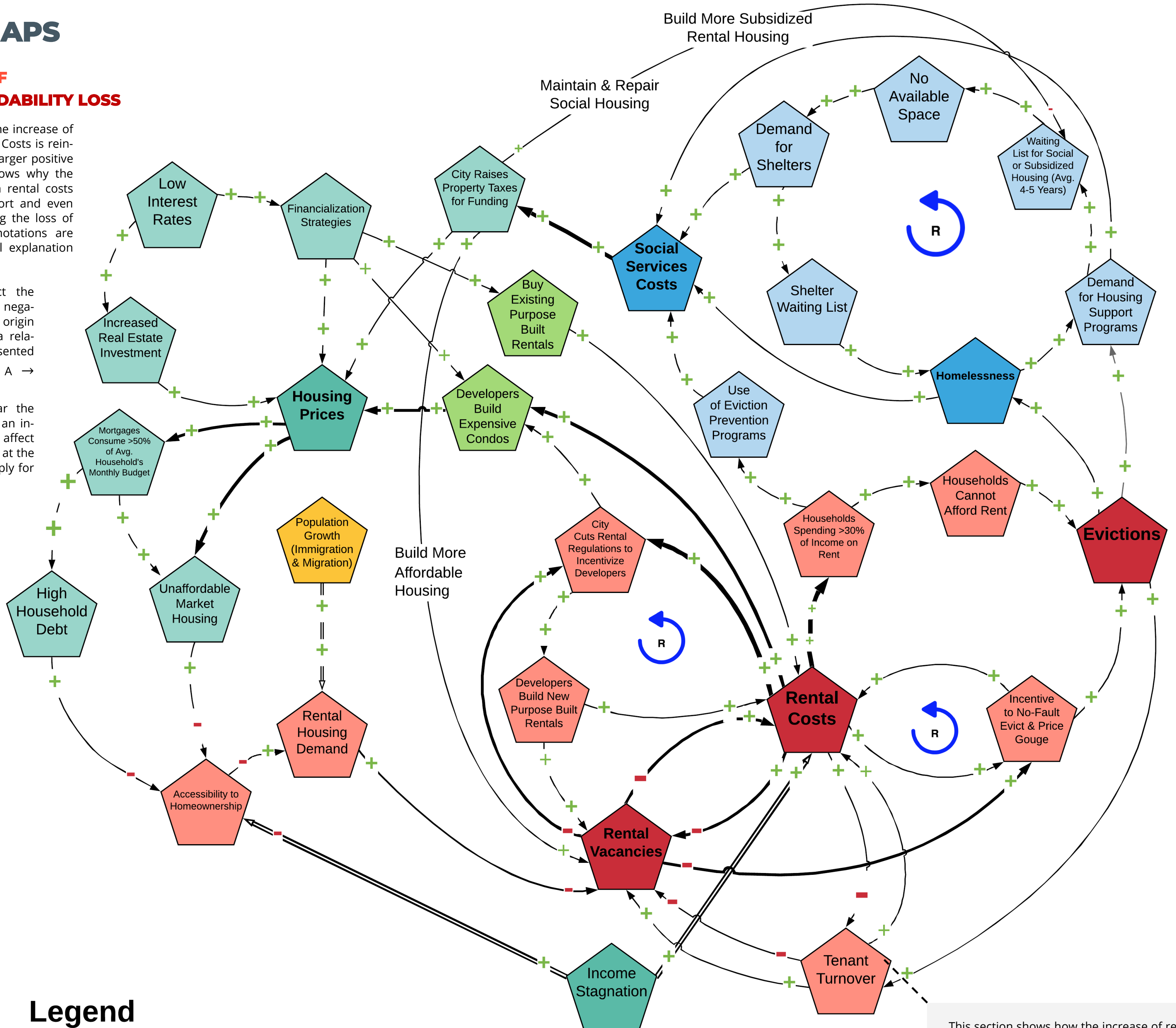
SYSTEM MAPS

VICIOUS CYCLE OF HOUSING AFFORDABILITY LOSS

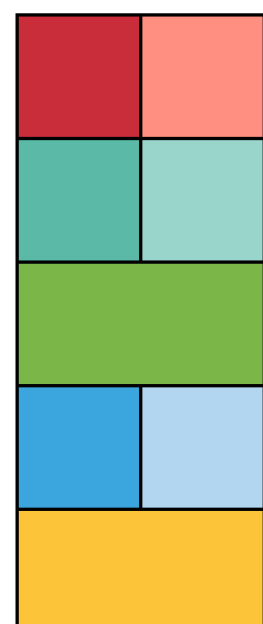
This loop illustrates how the increase of Housing Prices and Rental Costs is reinforced by being part of a larger positive feedback loop. It also shows why the current responses to high rental costs and vacancy rates fall short and even play a role in perpetuating the loss of housing affordability. Annotations are provided where additional explanation is required.

The arrows that connect the shapes have positive and negative signs on both their origin and destination ends. If a relationship were to be represented as the following: Shape A → Shape B,

then a positive sign near the origin would indicate that an increase of Shape A would affect Shape B based on the sign at the destination. This would apply for negative signs as well.



Legend



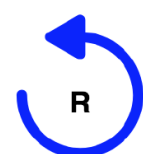
Rental

Finance

Real Estate

Government/Social Services

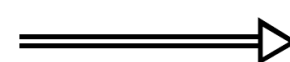
Other



Reinforcing Loop



Connecting Arrow



Output Only Element

This section shows how the increase of rental costs and evictions are ultimately reinforced by the larger housing system as long as the other key elements are not addressed. Developing more housing would do little to lower housing prices and rental costs, because the new developments are motivated by the removal of rent control.

*The darker coloured shapes are the most impactful in the loop.

**The thickness of the arrows is based on the number of inputs from other arrows.

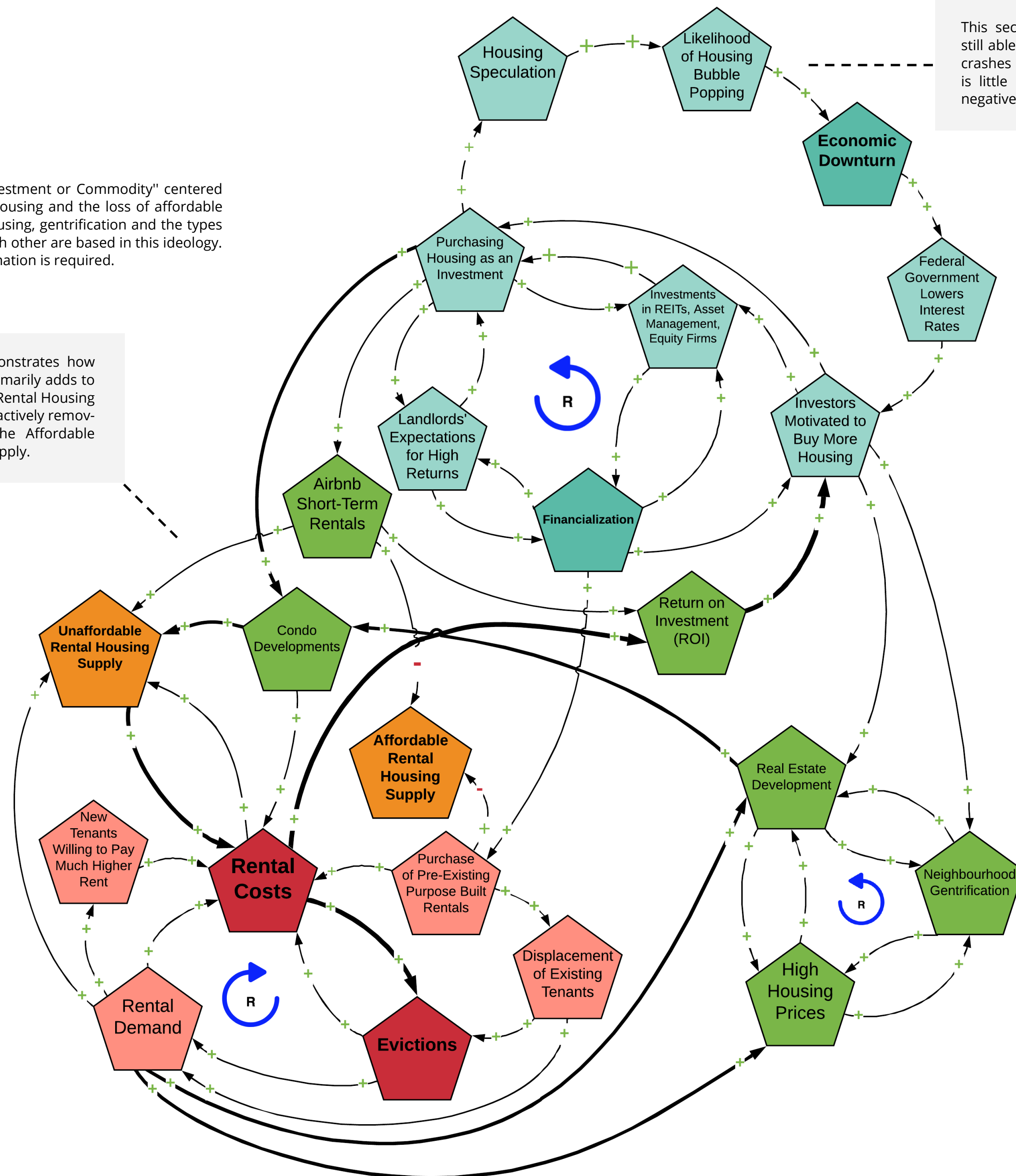
SYSTEM MAPS

VICIOUS CYCLE OF HOUSING AS A COMMODITY CENTERED THINKING

This loop demonstrates 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 financialization of housing, gentrification and the types and expense of housing that results feed into each other are based in this ideology. Annotations are provided where additional explanation is required.

This section demonstrates how financialization primarily adds to the Unaffordable Rental Housing Supply while also actively removing units from the Affordable Rental Housing Supply.

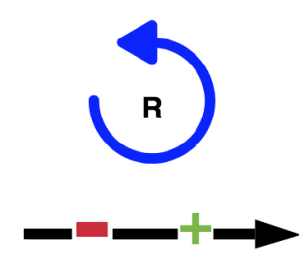
This section shows how financial firms are still able to benefit when the housing market crashes due to extensive speculation. There is little incentive to moderate the risk and negative impacts of their financial strategies.



Legend



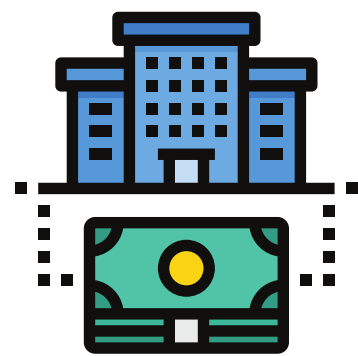
- Rental**
- Finance**
- Real Estate**
- Government/Social Services**
- Other**



- Reinforcing Loop**
- Connecting Arrow**

*The darker coloured shapes are the most impactful in the loop.
 **The thickness of the arrows is based on the number of inputs from other arrows.

DIFFERENT APPROACHES TO HOUSING STRATEGIES



STAKEHOLDERS THAT TREAT HOUSING AS A COMMODITY

Perspective:

- The housing crisis is primarily seen as a housing shortage.
- They believe that prices are rising because of lack of supply due to rent control and other regulations that constrain the market and limit construction.
- The concept of affordability is based on the ability to get loans and become a homeowner.



STAKEHOLDERS THAT UTILIZE A HUMAN RIGHTS CENTERED APPROACH TO HOUSING

Perspective:

See the key factors of the housing crisis as:

- Income Inequality and Stagnating Incomes.
- Neglect of Social and Subsidized Housing Programs.
- Government Housing Policies being accountable to financial institutions, global credit markets and private investors instead of residents.
- Mass evictions and displacement due to the financialization of housing and price gouging.
- Their definition of affordability is based on the financial burden housing costs have relative to household income.

Types of Solutions Advocated:

- Accelerate opening up land for development and shorten approval processes for permits.
- Create more incentives for developers to build more purpose built housing.
- Reduce borrowing costs to buyers and assist developer financing.
- Enable landlords to more easily evict tenants so there is more rental vacancy.

Types of Solutions Advocated:

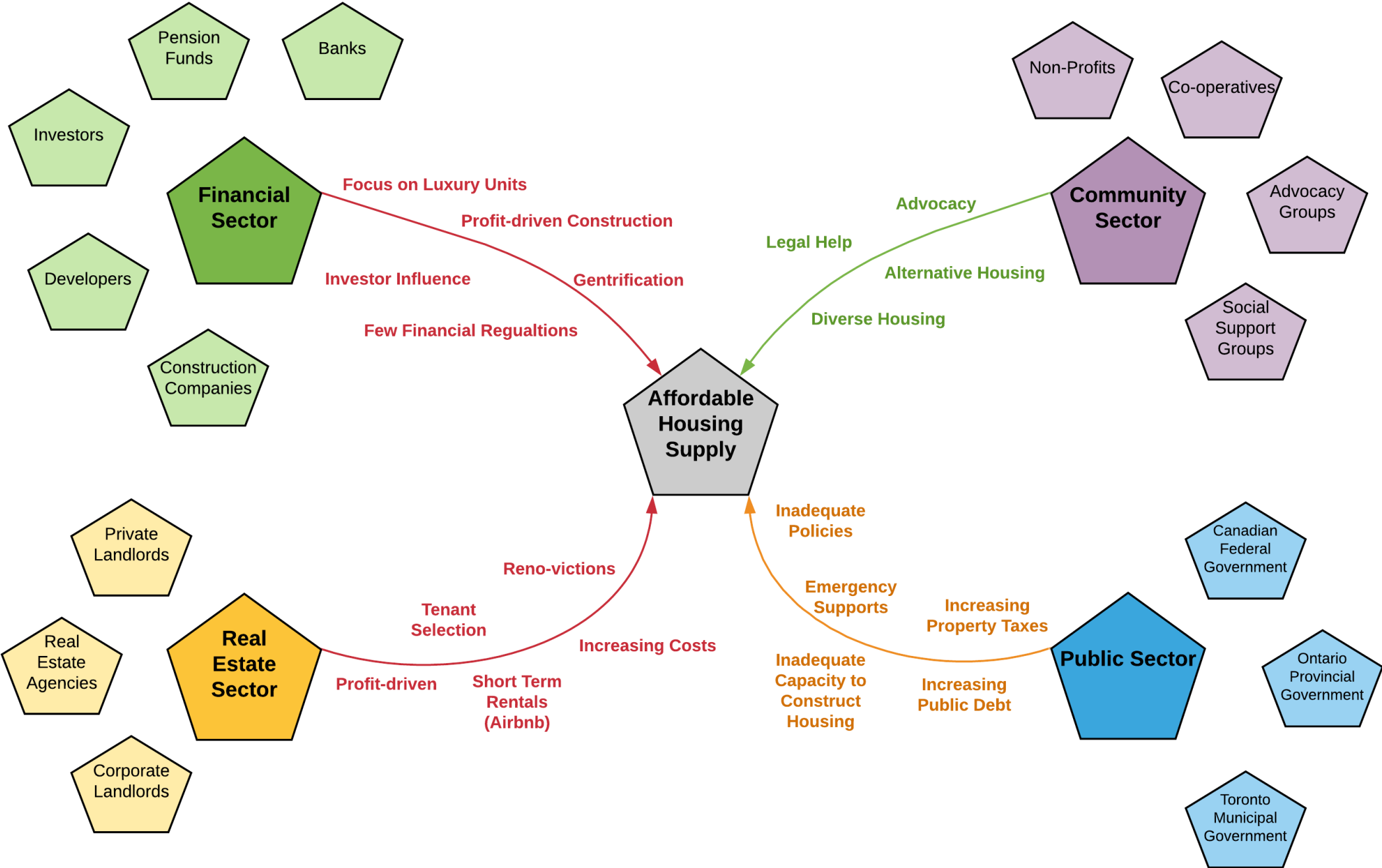
- Stabilize rental housing market by protecting and growing purpose-built housing supply and regulate secondary rental market.
- Build non-profit housing on public land instead of selling it to developers.
- Prevent unlawful evictions, fund eviction prevention services, and ensure strong tenant relocation strategies.

SYSTEM MAPS

STAKEHOLDER MAP

WHERE PUBLIC, FINANCIAL, REAL ESTATE, AND COMMUNITY SECTORS INTERACT

The stakeholder map visualizes the intricate set of interactions between relevant stakeholders with respect to affordable housing supply. These interactions can be categorized into four different sectors: public, financial, real estate, and community.



Legend

- Financial Sector
 - Public Sector
 - Real Estate Sector
 - Community Sector
-
- Negative Overall Impact
 - Neutral Overall Impact
 - Positive Overall Impact

SOLUTIONS LANDSCAPE: GLOBAL LEVEL



The Vienna Housing Model

In Vienna, Social Housing is not just for low income households

Upper combined income limit is €67,820 or \$103,626 CAD and pay progression doesn't prevent them from staying in public housing.

Destigmatization of Rental and Social Housing

Studies have found improved outcomes in crime reduction, health improvements, increased social mobility, and the prevention of ghettoization.

The Decommodification of Housing

On average the rent on a one-bedroom is 21% of a resident's income.


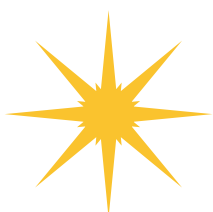
Housing is paid for with a 1% levy on the salaries of every Viennese resident, half of which is deducted from wages and the other half matched by employer contributions.

Buildings owned by the city or subsidized social housing building companies aren't allowed to be sold, preventing privatization.

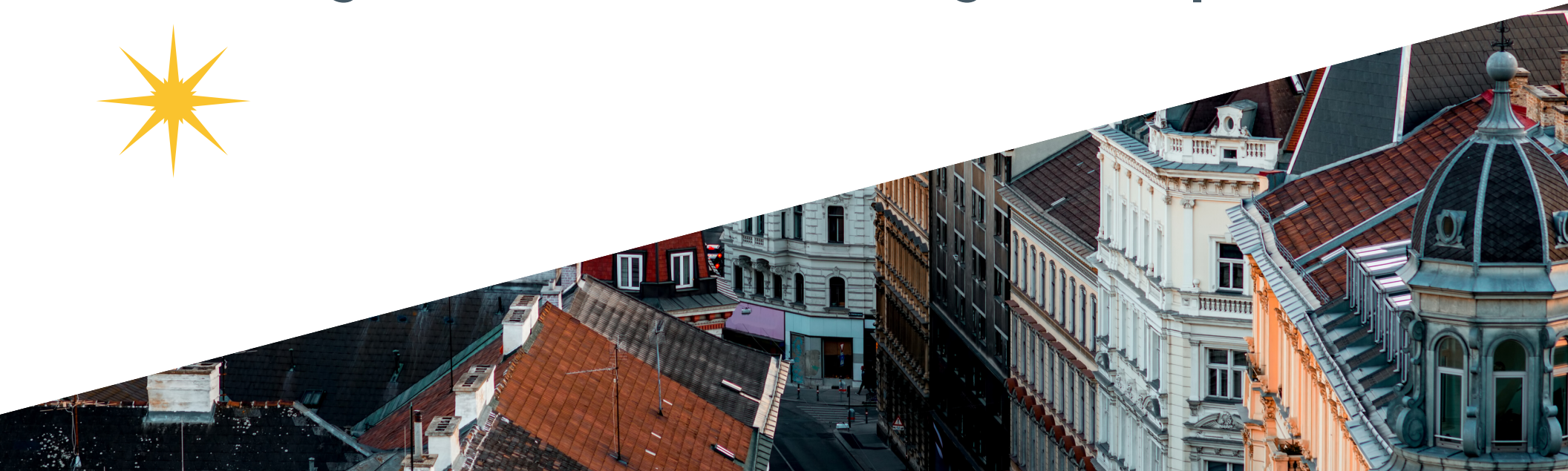
More than 60% of residents live in social homes

The housing policies are centered around the belief that housing is a human right.

This model has shown greater stability against financialization of housing trends of the last few decades.



This Model shows that it is possible to mass produce subsidized housing, as well as create and strengthen communities through development.



Solution Landscape By Levels of Government

Canadian Federal Government

Provide \$55 billion over 10 years in funding programs

Provide low-cost loans and/or forgivable loans for socially inclusive and affordable housing

Support provinces by providing unconditional transfers to less prosperous provinces

Provide new rental assistance support to federally administered community housing providers

Ontario Provincial Government

Address gaps in building and development regulations to enable additional construction

Modify legislation to protect tenants and build more rental units

Enable the use of public land for affordable housing projects

Repair existing affordable housing units and provide innovation for new units

Toronto Municipal Government

Accelerate affordable housing construction by providing City financial contributions

Fast-track planning approvals, and activating surplus public land

Work with non-profits to activate 11 City owned sites for the development of affordable housing

Inclusionary Zoning Policy requiring new residential developments to include affordable housing units

SOLUTIONS LANDSCAPE

ALTERNATIVE HOUSING MODELS

Workforce Housing

Workforce housing refers to a housing model that uses organizations with real estate holdings, including **school boards, universities, and hospitals**, to provide affordable housing to their employees.

Workforce housing provides options for people who serve the City and yet cannot afford to live in it, such as healthcare staff, police, and teachers.



South Korea has an emerging housing model which relies on mixed-use complexes, where people can sleep, play, and work in the same place.

Co-operative Housing

A housing co-operative is a **member-based** entity that owns real estate and provides affordable housing by enabling individuals to **pool resources** to combat high property costs.

Co-op housing provides resilient and diverse housing options. There is no pressure from landlords or complicated contracts.



In **London**, housing co-operatives offer a partial solution to the housing crisis, but the existing culture of homeownership undermines their success.



SOLUTIONS LANDSCAPE ALTERNATIVE HOUSING MODELS

Community Land Trusts

Community Land Trusts are **non-profit corporations** that purchase land to use for housing and community purposes. Each trust is operated by an **elected board of directors**.

This model allows for affordability and community control of land. Each trust can develop with flexibility to local needs.

Housing is treated as a human right in this model. It provides a viable substitute to land ownership by the Real Estate market that treats housing as a commodity.



Toronto's Parkdale Neighbourhood Land Trust provides affordable housing to many low-income individuals, including immigrants, refugees, and persons with disabilities.



GAPS



LEVERS

The Majority of Mainstream Solutions do not address the Root Causes of Housing Unaffordability

Those solutions focus on increasing supply of housing by incentivizing and speeding up housing construction. They do not address the influence of financialization on the housing crisis nor the impact of the growth income inequality and low and middle income stagnation.

"THEY'RE SAYING, 'LEAVE IT TO THE MARKET.' AND THIS IS TIED IN WITH THE HYPERCOMMERCIALIZATION OF HOUSING. THERE IS BIG MONEY IN REAL ESTATE. ... SO I SEE THIS AS PURE POLITICAL CALCULATION, THAT THEY ARE NOT SERIOUS ABOUT HOUSING. THEY'VE TAKEN BABY STEPS."

-Professor David Hulchanski

Address the Demand & Affordability Side of Challenge



Programs should focus on regulating the financial market, consider workforce housing, and adjusting the income-rent gap.



"Stricter financial regulation" aimed at the real estate sector to lower the number of individuals who use real estate as an investment.



Work with local employers to tackle the issue of stagnating incomes in respect to rising rent prices in Toronto.

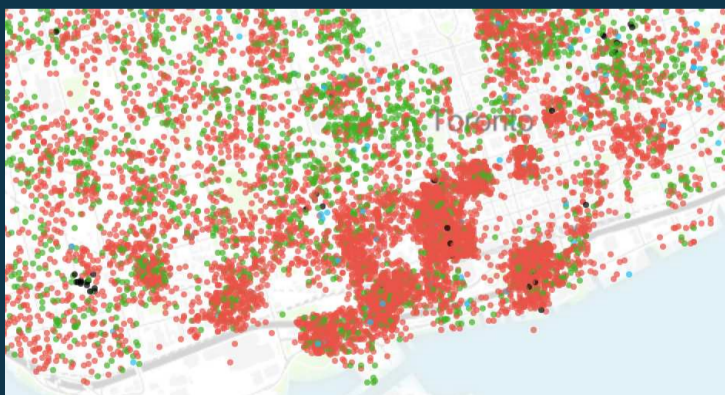


Build more explicitly "Affordable" housing rather than assume increasing supply in the market will yield affordability.
e.g. Vienna model, which funds production of their own housing through a 1% levy, addressing both supply/demand.

Insufficient Enforcement of Regulations & Bylaws

This is built into the system by design, as the authority, power and frequency of inspection and enforcement agencies are undermined by the chronic lack of resources, capacity and investment.

For example, a common issue identified in the market is the emergence of Airbnb landlords who own multiple properties to profit from short-term rentals, essentially running an unregulated hotel. Such a practice is illegal in Toronto, but it is not enforced, and it removes a substantial supply of rental units available for residents. This is in relation to Chapter 547 of the Toronto Municipal Code (Licensing and Registration of Short-term Rentals)



Every dot represents one Airbnb Listing in Toronto

Red dots are entire homes/apartments (64.5% of listings)

49.2% of hosts have multiple listings

Source: insideairbnb.com

Improve Enforcement of Regulations



Include a wider range of penalties aimed at repeat or serious offenders.



Increase the amount and frequency of inspections, ensuring that available rental units meet health and safety standards.



Increase the amount of inspectors and investigators with the powers to enforce existing regulations and standards surrounding landlords.



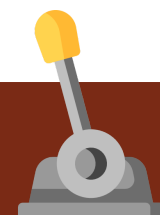
Hold governance accountable to enforcing these regulations and bylaws through grassroots organizing and campaign in order to generate the necessary political will needed for change.



GAPS



LEVERS



Current Housing Strategies do not provide sufficient stable, long-term funding necessary for Housing Providers to run effectively & scale up operations

The majority of government Housing Strategies are based on providing large injections of funding over a short period of time.

These solutions do not address the structural causes of why housing programs were underfunded to begin with such as the overall instability of funding and other internal organizational issues.

For example, Toronto Community Housing Corporation (TCHC) has had to contend with a number of recent scandals and misconduct by leadership.

Addressing Structural Funding Problems for Municipalities & Non-Profits



Address the overburdening of Social Housing responsibilities on municipalities.

Change funding structure & social housing provision expectations to accurately reflect the population and City tax base size.



De-incentivize the need for competition and improve the process of issuing long term funding to non-profit organizations.



Address dysfunctionality and the organizational problems in social housing programs, such as TCHC.

Social Attitudes towards Affordable Housing & Stigmas against Renters Are Not Being Addressed

There is a lack of recognition by policymakers that the housing goals centred on valuing housing as a human right are incompatible with market-based strategies that rely on housing as a commodity.

Cultural values favouring homeownership drive inequality and social segregation. The divide between Renters and Homeowners needs to be mended.

Educate, Engage with Residents, & Grow Mixed Income Communities



Develop and fund education programs and advocacy campaigns that address the stigma against renters and affordable housing.



Empower community participation and collaboration between renters and homeowners.



Create more opportunities to grow mixed income communities to lessen class stratification and social segregation.



GAPS



LEVERS

Substantial Confusion & Miscommunication in Housing Discourse

There are many differing ideas on what the key problems are and how to address them, as well as different definitions and uses of particular terms. i.e. "Affordable Housing", "Housing Crisis", "Affordability"

For example:

The City of Toronto defines "Affordability" in relation to "Average Market Rent (AMR)" rather than household income. This means that new "Affordable Housing" that is currently being built could very likely not qualify as affordable under the conventional definition. AMR also does not account for the fact that new tenants pay higher rents than previous ones, nor does the data used take second market rentals into account (e.g. condos, basement apartments).

Clearly Define or Clarify Language & Concepts at the start of Discourse



Distinguish between the use of "Housing Crisis" as being a Housing Shortage vs Housing Inequality. What is the real problem?



Use of misleading language needs to be identified. Recognize that common informal uses of these terms often conflate different things or are based on common misconceptions. Take the time to clarify and ensure consistency.

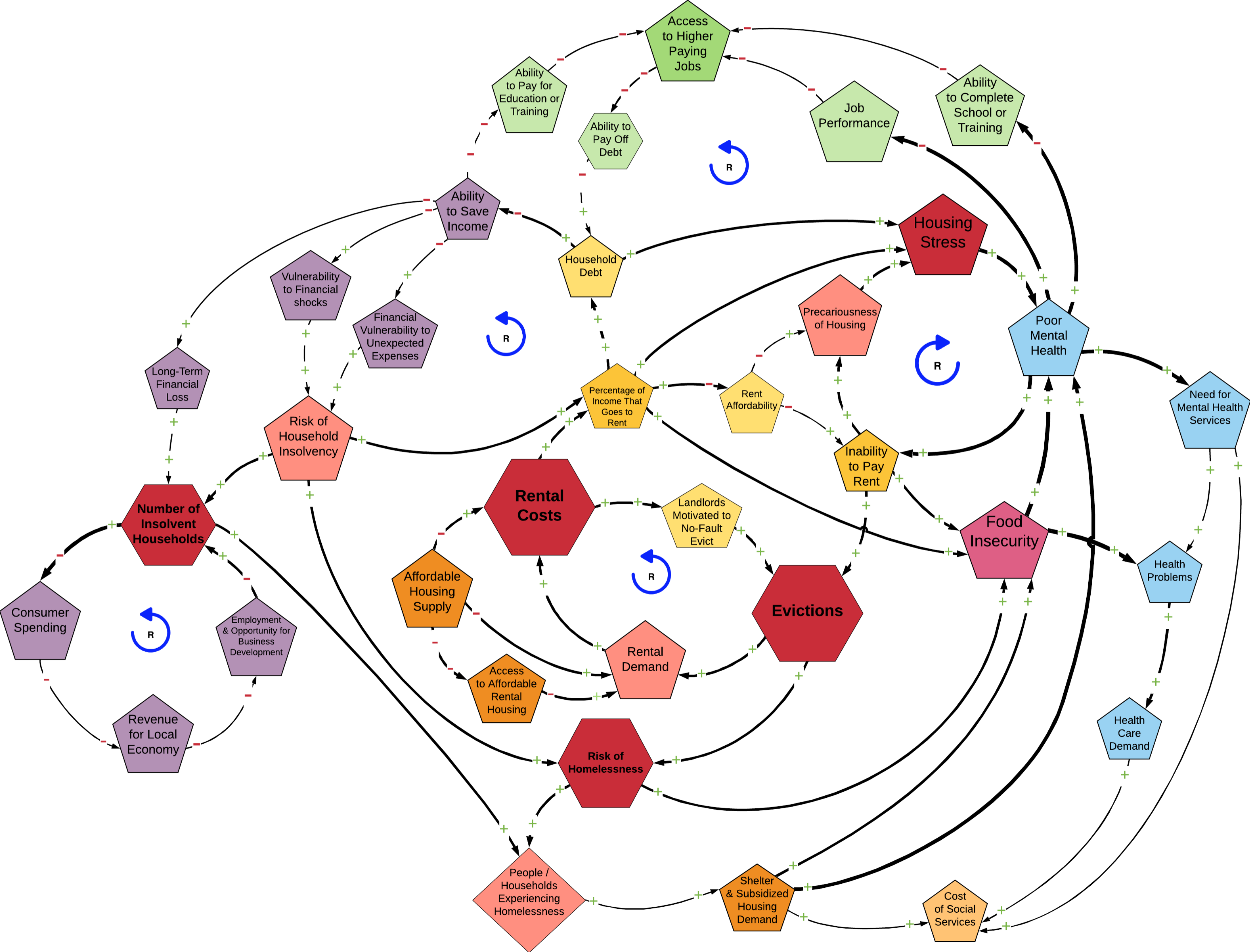


Develop clear and concise messaging in advocacy campaigns and grassroots organizations.

APPENDIX A

SOCIAL IMPACTS OF RENTAL COSTS & HIGH DEMAND FOR AFFORDABLE HOUSING LOOP

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.



APPENDIX B

EXTERNAL & GLOBAL FACTORS LOOP

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.

