



THE CRISIS OF AFFORDABLE RENTAL HOUSING IN TORONTO

WRITTEN SUMMARY

Crystal Fung
Sahil Parikh
Piotr Zulauf



Ryerson
University



TABLE OF CONTENTS

Executive Summary	3
Challenge Landscape	4
The Current State of Rental Housing in Toronto	4
Defining Affordable Housing	4
Conflicting Cultural Values & Beliefs About Housing	5
The Financialization of Housing	5
The Global Landscape	6
System Maps	7
Stakeholder Map	7
System Loop #1: Vicious Cycle of Housing Affordability Loss	7
System Loop #2: Vicious Cycle of “Housing as a Commodity” Thinking	7
System Loop #3: Social Impacts of Rental Costs & High Demand	8
System Loop #4: External & Global Factors	8
Solutions Landscape & Impact Gaps	9
Federal Government Solution: National Housing Strategy	9
Provincial Government Solution: Ontario’s Housing Supply Action Plan	9
Municipal Government Solution: Open Door Affordable Housing Program	9
Non-Governmental Solutions	10
Key Insights & Concluding Thoughts	11

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. This project uses a systems thinking approach to examine the ongoing affordable rental housing crisis in Toronto, its social and economic impacts, and its proposed solutions.

The project also draws comparisons between Toronto's situation and housing crises in other metropolitan areas around the world. A systems thinking approach of the housing crisis reveals a conflict of two ideologies on how housing should be treated: as a human right, or as a commodity.

We are a team of three people, of which two 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.

CHALLENGE 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.

CHALLENGE LANDSCAPE

CONFLICTING CULTURAL VALUES & BELIEFS ABOUT HOUSING

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.

The ideology emphasized in North America is 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. This notion of competing ideologies acts as the main narrative for our project.

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 de-control (price gouging), and other practices that have opened the housing market to exploitation by financial firms (August & Walks, 2018).

CHALLENGE 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 (August, 2020; Crosby, 2020; Joy & Vogel, 2015).

We also found that the majority of government, business, and NGO reports 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 commodification of housing. This acts as the basis for our key insight.

THE GLOBAL LANDSCAPE

The issue of affordable and adequate housing is not contained to just Toronto or Canada. The idea of housing as a commodity and the financialization of housing has transcended national boundaries. Real estate prices have been increasing at an alarming rate due in part to low interest rates in many countries (Savills, 2016). The main stakeholders on the global scale are multinational corporations, private equity funds, and pension funds (UN Special Report, 2017). For the purposes of this project, we have picked three case studies: Vancouver, London, and Seoul.

Vancouver is looking towards the “Vienna model” to address affordable housing. Vancouver Affordable Housing Agency (VAHA) believes that an essential component to turning the housing crisis around will be developing income-based housing on city-owned land. Michael Geller, an architect and consultant with decades of experience in affordable housing, believes that modular units and housing co-operatives are other viable solutions.

In London, housing co-operatives are a viable alternative to ownership or renting. Individuals in housing co-operatives pay a third of market rent and are allowed to stay for as long as they want without pressure from landlords or contracts. While co-operatives offer a partial solution to the housing crisis, the existing culture of homeownership undermines their proliferation and success (Kale, 2019). Part of the stigmatization of co-operatives stems from its origins of illegal squatting.

A proposed solution for Seoul is to place caps on pre-sale prices for new apartment complexes (Pesek, 2020). South Korea also has an interesting emerging housing model which relies on mixed-use complexes located near major transport centres (Ji-won, 2019). The model closely resembles workforce housing with the addition of community elements, however it is unclear whether employers would subsidize these properties.

SYSTEM MAPS

STAKEHOLDER MAP

The purpose of this stakeholder map is to illustrate how tenants are impacted by different stakeholders in the system. Stakeholders are grouped into four sections - the Financial Sector, Public Sector, Real Estate Sector, and Community Sector. The financial and real estate sectors accumulate costs, and place them on tenants in the form of increased rent costs. The public sector provides some support, however, many policies are inadequate in scope or impact. The community sector provides positive support to tenants in the form of advocacy, legal advice, and alternative diverse and affordable housing options.

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 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 MAPS

The following two system loops are included as appendices to the system map. While they do illustrate activity related to the issue, they are not directly connected to the larger narrative of housing as a human right vs as a commodity that we wanted to establish.

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. A conscious decision was made to include only the most relevant social issues as this loop can become quite expansive if all related social issues are included.

The social issues in this loop, if grouped into 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 higher 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 these social issues typically impact each other, visualized by the interconnected categorical feedback loops.

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 prices 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 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

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. However, 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. 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, 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.

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

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, unfortunately, does not focus 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.

MUNICIPAL GOVERNMENT SOLUTION: 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. The problem is that the City 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. 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 will take for actual affordable housing to become available.

SOLUTIONS LANDSCAPE & IMPACT GAPS

NON-GOVERNMENTAL SOLUTIONS

#1: 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 can't afford to live in it such as healthcare staff, police, and teachers.

#2: 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.

#3: 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. The 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.

KEY INSIGHTS & CONCLUDING THOUGHTS

The key insight we derived from our research is that the current housing crisis in Toronto and globally is rooted in the cultural shift in the way we treat housing. There has always been internal tension between housing's "use value" as a human right vs its "exchange value" as a commodity. The difference is that housing's value has been externalized in the global economy, in both public and private institutions, and in societal values. Therein lies the core conflict of ideologies that is reflected in the discourse around the housing crisis.

This finding is significant because it explains why many housing strategies have been ineffective. If the goals of a housing strategy are to provide affordable housing for everyone, eliminate homelessness, and uphold people's right to adequate housing, any policies or programs that depend on market-based strategies would never be able to achieve those goals. These are two incompatible ideologies because the end goal of investing in housing is to make money, thus financially centered practices are not conducive to a human rights centered outcome. The housing crisis cannot be improved if this ideological conflict continues to exist.

Using a systems thinking approach has given our team a greater understanding of the affordable rental housing crisis in Toronto, and globally. The issues we uncovered are relevant as we have all been impacted by the crisis. 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 it, and has decided to continue living with his parents in order to save 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.

We also want to acknowledge that the majority of our project was completed while under lockdown, due to the 2019-20 coronavirus pandemic. The housing market has slowed and rent relief programs for tenants have been introduced in response to COVID-19. The virus could further impact the housing crisis, to the point where it could be included in future versions of our system loops.

Working on this project has opened our eyes to the scope of this problem, and we hope that our readers have learned something new about the crisis of affordable housing in Toronto. Our research will ideally act as a resource for housing advocacy, and ensure that a human rights-based housing strategy is implemented.