HOUSING MAKES ECONOMIC SENSE

Private Sector Housing Roundtable Report

Chair: Councillor Ana Bailão

The following organizations are members of the Chair's Private Sector Housing Roundtable:

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INTRO

Introduction

Toronto's residential housing industry is on fire! In 2011, new construction and residential renovation contributed more than $8 billion to the City's economy[i]. The result is more and better quality housing, a diversity of employment opportunities and increased economic prosperity.

In 2012 and beyond, Toronto is forecast to continue to experience unprecedented economic activity resulting from the residential construction and renovation industries.

As a city, we all benefit from the wealth generated by new cranes in the sky, communities being revitalized, the house being built on an empty lot, the addition of a basement apartment or the energy-saving retrofit of an aging apartment complex.

In Toronto, all sectors of the residential construction industry report strong economic activity. While the lion's share has been in the market sector, there have, and continue to be, important contributions from private, non-profit and charitable organizations in maintaining and increasing affordable housing options for residents.

In addition to contributing to a growing and vibrant city, strong economic activity within the residential sector boosts government revenues. The Canadian Home Builders' Association reports that the Canadian and Ontario governments received some $2.1 billion in 2011 from Toronto's residential construction boom[ii].

Meanwhile, the City of Toronto continues to hit the jack pot with a range of revenues from the growth in residential building, renovation activity and housing sales. In 2011, residential building permits were at an all-time high of $3 billion[iii].

The current construction boom presents the City with a golden opportunity to help improve housing outcomes for low- and moderate-income residents. Despite substantial and laudable efforts to date, the City is underachieving when it comes to providing a range of new affordable housing to meet demand.

As members of the City's Private Sector Housing Roundtable, we are ready to help tackle the affordable housing challenges in the ownership, new rental and existing private rental markets.

It is for this reason we are proposing the City pursue a strategy with 12 actions which would "reset" a number of City housing policies and more strongly engage the federal and provincial governments in investing in affordable housing.

Taking up these 12 actions would result in guaranteed, direct outcomes that would create, repair and ensure the affordability of some 7,783 homes and support 13,174 new jobs in Toronto.

It is time to unleash the power of the private sector to expand Toronto's affordable housing stock and boost economic activity.

A:

The Opportunity and Value of New Affordable Homeownership

Affordable homeownership is one of the most effective methods of developing long term, sustainable communities. It provides a revenue base for the City of Toronto and an asset for those in need of housing.

Neil Hetherington
CEO Habitat for Humanity Toronto

Context:

The private sector continues to successfully build new ownership homes with more than 18,000 construction starts in Toronto in 2011[iv]. The vast majority (15,609) were multi-residential condominiums[v].

During the same period, non-profit and charitable organizations partnered with the private and volunteer sectors to start a much more modest 400 affordable ownership homes[vi].

At the same time, there continues to be a segment of moderate income renters in Toronto who wish to own their own home. And therein lies the opportunity. With the right supports, the market is ready to respond.

The key is to reset and rebalance several City policies to support the creation of more affordable ownership homes in partnership with the private and non-profit sectors.

The Way Forward:

1. **Revise the City's Official Plan**
   The City's Official Plan policies on affordable ownership housing are unhelpful and outdated. As a result, they have failed to create an environment which supports the development and construction of new affordable ownership homes. These policies urgently need updating to reflect current market realities and achieve better outcomes. We recommend three immediate changes:

   a. **Redefine Affordable Ownership Housing –** The Official Plan defines affordable ownership housing using exceptionally low sales prices. These prices are not economically feasible for groups delivering affordable ownership housing. The Official Plan should be adjusted so it is consistent with federal/provincial downpayment assistance programs that recognize the true cost of purchasing a home in Toronto at below the average market price.

b. **Revise the Large Sites Policy –** The requirement of the large sites policy to provide 20% new affordable rental housing has dramatically under-achieved its objectives. Making the policy flexible to include affordable ownership homes would recognize the diversity of development opportunities and produce greater results. The policy could also be revised to secure affordable ownership housing in large residential buildings.

c. **Make Affordable Ownership an Eligible Section 37 Benefit –** Changing the City's Section 37 policies to recognize the full range of affordable home ownership as an eligible community benefit would create new affordable housing opportunities which the private and non-profit development industry could deliver.

2. Deliver More Value on City-Owned Surplus Land

Since Build Toronto was created in 2009, more than 30 surplus City sites have been transferred to it for disposal. The Build Toronto mandate includes developing investment properties that have a positive catalytic impact on neighbourhoods. This includes using sites to deliver 1,250 affordable ownership and rental units by 2015. It is proposed that up to half of these units could be dedicated to affordable ownership housing.

a. **Speed up Affordable Ownership Partnerships –** As a result of limited federal/provincial funding for new rental housing construction, Build Toronto should aggressively pursue affordable ownership partnerships to achieve its approved housing target.

b. **Implement Mixed Housing Opportunities** – Build Toronto should work with the private sector to create development opportunities on transferred City properties where affordable and market condominiums could be developed to include a mix of ownership and rental housing.

3. Invest in Affordable Ownership

Starting in 2014/15, the City should invest funds from a renewed federal/provincial Investment in Affordable Housing Program to assist qualifying tenants with down-payment assistance to purchase affordable homes.

B:

Helping to Meet Affordable Rental Housing Demand

It is very important that the City of Toronto act swiftly on this report – not only for the significant job creation element with all its benefits to the economy but also for the financial spinoff benefits that the City will enjoy as a result of increasing the supply of new purpose-built rental housing, both market and affordable rental."

Hanita Braun, Verdiroc Development Corporation

Context:

While most new residential construction is condominiums, 2011 also saw an upswing in the construction of new purpose-built rental housing[vii].

A total of 1,624 market and government-assisted affordable rental units were started[viii]. A significant proportion of this construction can be attributed to private sector activity stimulated by federal/provincial economic recovery funding and support from the City of Toronto.

The construction of new purpose-built rental housing is a priority for the rental housing industry. In this regard, the private sector has shown creativity in unlocking sites located on vacant and underutilized property, including sites outside of the downtown core.

Purpose-built rental housing, whether market or affordable, plays an important role in Toronto's housing market and economy. The construction of new rental housing supports the renewal of neighbourhoods, provides a mix of housing choices and helps to meet housing demand in a growing city. It also creates and preserves jobs and makes Toronto a more attractive investment option for companies seeking a stable community and workforce.

In its most recent housing forecast, Canada Mortgage and Housing Corporation continues to project growing demand for rental housing over the next 20 years[ix].

While a significant portion of that demand is being met in the short to medium term by "shadow rentals" in the condominium market, there continues to be an important role for purpose-built rental housing, particularly the construction of rental housing for families.

As a result, governments should continue stimulating new rental development through the renewal of the Investment in Affordable Housing Program in 2014/15 and by establishing a more positive rental housing construction and regulatory environment.

The Way Forward:

4. **Federal Action Required to Provide a More Positive Tax Environment and Lending Incentives**
   Builders of new rental housing require a more positive federal tax environment to support their efforts. The federal government should introduce changes to federal tax laws which recognize the value of the longer term investments made by the rental industry.

a. **Support Federal Rental Housing Tax Incentives –** There are several key federal incentives which would provide important support to the industry in building rental housing, including:

- Relief from corporate taxes where a developer of new rental housing reinvests previous rental housing profits;
- Creation of an investment tax credit where rental housing constructors would qualify for a refund of Canada Pension Plan and Employment Insurance contributions during the construction phase;
- Creation of an accelerated rate of depreciation for purpose-built rental housing which would free up funds for reinvestment in additional rental housing; and,
- Reduction or elimination of the HST for corporations which choose to reinvest savings into the creation of new affordable rental units.

b. **Support Lending Incentives for New Rental Housing –** The federal government is also well positioned to reintroduce a program of low-interest rental housing loans to reduce the financial burden of borrowing to build. A low-interest loan program would also create a consistent and predictable pool of revolving funds for the construction of more affordable rental housing as loans are repaid. The recommendation to establish federal lending incentives is also consistent with the recent proposal to the federal government by the Federation of Canadian Municipalities[x].

5. Federal/Provincial Catalytic Investments

Catalytic investments from the Canada-Ontario Affordable Housing Program, the Economic Stimulus Initiative and the Investment in Affordable Housing Program continue to engage the private sector in new rental home construction. However, there remains a significant untapped potential to leverage further private sector investment.

The rental housing industry is ready to start construction immediately and provide positive results for governments and the public. This includes assisting agencies such as Build Toronto, Waterfront Toronto, Toronto Community Housing, as well as the City of Toronto, to deliver affordable rental housing in partnership with private and non-profit sectors.

a. **Prioritize New Rental Construction and Reinvest in Programs –**Starting in 2014/15, the City should invest funds in new rental housing from a renewed federal/provincial Investment in Affordable Housing Program. The City should also continue to provide development charge and property tax relief for builders who provide guaranteed long-term affordable rents.

"The City is in desperate need of new rental infrastructure. The prospect of infill with new buildings on existing apartment sites should be grasped. The City can realize this opportunity by updating and streamlining the process and creating an environment that encourages infill development."

Daryl Chong, Greater Toronto Apartment Association

6. **Support Infill Rental Housing**
   Private sector builders face a multitude of barriers to building and re-investing on sites adjacent to existing rental buildings. The City should revise its Official Plan and update its zoning regulations to create a more permissive planning environment. Combined with other incentives, this will encourage intensification through new infill rental development and overall improvement to communities through the introduction of new uses. These measures would also echo the findings of the City's recent Tower Renewal Study, Infill on Apartment Sites in Toronto: A Ten Year Review (1999-2009).

7. **Pilot Rental Housing Innovations**
   A portion of the City's residential development levies are dedicated to affordable housing development. In 2010, City Council approved the use of development levies to provide $2 million annually to reduce the upfront development costs for non-profit home ownership organizations. To support new rental housing, the City should use additional affordable housing development charge revenue to support new pilot rental housing innovations.

   These funds should be the catalyst for private/public sector pilot projects that maximize the City's return on investment and support mixed income/affordable, rental/condominium developments.

   By 2013, it is estimated that some $22 to $25 million would be available for which the City should issue a competitive call for proposals.

8. **Facilitate New Affordable Rental Housing on Surplus Land**
   Build Toronto should partner with the development industry to construct affordable rental homes on surplus land. To achieve this goal, the City should work with Build Toronto to facilitate affordable housing partnerships.

C:

Reinvesting in Private Rental Housing Communities

Context:

The private rental housing sector plays a pivotal role by providing a full range of housing to some 40% of the City's residents[xi].

The total asset value of Toronto's 400,000 private rental housing units is an estimated $30.8 billion[xii].

However, as the stock of rental housing ages, both private and social housing owners face increasing challenges in maintaining and modernizing their assets.

Many renters in the private sector have limited incomes and can afford to pay only so much rent, while many social housing tenants pay lower rents based on their income. A major study by United Way Toronto showed that across the city, poverty is being increasingly concentrated in high-rise apartment buildings[xiii].

United Way also found that large numbers of high-rise residents are enduring high levels of social disorder in their buildings, including drug dealing, vandalism and trespassing. As well, nearly half of high-rise buildings no longer have common rooms or recreational spaces – something that tenants consider a major loss for the children, youth and seniors who live in these buildings. This causes social isolation and disruptive youth behaviour, along with high levels of distrust among tenants who do not know each other.

Governments have a significant role to play in addressing the affordability issues faced by tenants in private-sector rental housing. This includes boosting the capacity of tenants to pay rent, measures to assist the private sector in maintaining and renovating rental housing and contributing to healthy rental communities.

The private renovation sector is also an active player in providing the skilled workers who repair the City's social housing. We are keen to support the City in its efforts to find new, innovative solutions to the funding and repair crisis at Toronto Community Housing and other apartment buildings. As owners of rental housing, we know that everyone benefits from innovative approaches and best practices – including residents and taxpayers.

The Way Forward:

9. **Support Tenants with Affordability Challenges**
   The private rental housing sector is acutely aware of the affordability issues faced by tenants. Rental units that sit vacant because people can't afford them are a lost housing opportunity. Rental units that turn over due to non-payment of rent or eviction are an expense which owners would prefer to avoid.

   a. **Increase Available Income Supports –** The federal and provincial governments should increase income supports for low-income tenants. Despite challenging economic times and tight budgets, the province must continue its poverty reduction efforts, including following through with reforms from the current Social Assistance Review and the establishment of an Ontario Housing Benefit.

      In 2014/15, the City should continue to invest funds to provide housing allowances to families and individuals under a renewed federal/provincial Investment in Affordable Housing program.

10. **Facilitate and Lever Opportunities for Repairs**

    a. **Invest for Impact –** Governments need to ensure that programs, policies and investments make the biggest impact on tenants and buildings. The City should develop focused and strategic criteria for investing $7.9 million of federal/provincial Investment in Affordable Housing Program funds through Toronto Renovates to leverage additional private sector investment in affordable rental housing.

    b. **Expand Local Employment Opportunities –** The private sector has taken a leadership role by partnering with community colleges and trade unions in training and youth employment programs. The City should continue to explore opportunities to partner with the private sector, including linking City-contracted residential construction and repair work to create and support local youth employment.

    c. **Leverage Rental Repair Through New Rental Construction on Infill Sites –** The approval of new construction on sites adjacent to existing high rise rental properties should be leveraged to fund the repair of existing buildings in combination with other potential financial incentives.

11. Rebuild Healthy Rental Communities

There are brilliant examples of landlords, residents, non-governmental organizations and business leaders in Toronto coming together to build community life within towers and curtail vandalism, drug dealing and crime, with impressive results.

Some of these kinds of partnerships show significant impact. In the San Romanoway community, concerted efforts to engage residents, open up social and recreational space in buildings, partner with local police, business and agencies, and create jobs for young people, have had remarkable results. As just one indicator of this success, violent crime fell by more than 50% following five years of this focused partnership for rental revitalization.

Many other similar projects are now in the planning stages in tower neighbourhoods across the City. Toronto can play a critical role in leveraging other sources of support for concrete action in neighbourhoods, including United Way Toronto, landlords, business, and other levels of government.

a. **Increase Partnerships in Rental Communities in Need –** The private sector, tenants and local business, United Way Toronto and the City should continue to develop local action plans for community re-investment, revitalization and the animation of public and private community spaces. These plans should be linked to existing and future funding from government, private sector and charitable organizations.

12. Encourage Provincial Action to Support Financing for Retrofit Projects

The rental housing industry supports the City's request that the province undertake regulatory changes to allow alternative financing strategies where retrofit costs are paid from energy savings. A report prepared for the Tower Renewal Program determined that the retrofit of every tower apartment building in Toronto would generate $13.8 billion in economic activity. Some 30,000 person-years of employment would be created with net wages of about $2.12 billion.

a. The rental housing industry supports the City's request that the province change Ontario Regulation 609/06 to permit the Tower Renewal Financing mechanism to enable the retrofitting of rental housing stock.

"Thousands of people across our city call high-rise rental towers home. It's crucial housing stock, and a foundation of many local communities. By leveraging this important asset, we can promote social and economic development in Toronto's neighbourhoods – and create the conditions that will allow every community in our City to thrive."

Susan McIsaac, President and CEO, United Way Toronto

D: Conclusion

The private residential housing market plays an essential role in providing a full range of housing opportunities for the people of Toronto.

It only makes economic sense for the City to leverage the power of the private sector to better serve the interests of residents.

It is for this reason we are recommending specific interventions to support more new affordable rental and ownership housing as well as upgrades to existing private rental buildings.

Given the current construction and renovation boom there is no better time to act.

The proposed 12 strategic actions provide a blueprint that, when implemented, will produce real results.

Most important are the guaranteed positive outcomes and impacts of an estimated 7,783 affordable homes created, maintained or repaired over the next three years, and jobs for more than 13,174 people working in the industry.

Now that makes economic sense!

"We believe that this has been a positive consultation process, engaging public and private sector stakeholders, as many of the suggestions tabled by the group were incorporated into the findings of the report. We look forward to seeing the implementation of the program directives."

Stephen Deveaux, Co-Chair, Toronto Chapter

Leona Savoie, Vice-President, Hullmark Developments

Building, Industry and Land Development

Appendix A:
Guaranteed Outcomes and Impacts, 2012 – 2015

Section A: The Opportunity and Value of New Affordable Home Ownership

Action	Homes	Jobs[a]	Status	Requirement
1. Revise the City's Official Plan			New	City Revision
a) Redefine Affordable Ownership Housing	see 1.b) & 1.c)			
b) Revise the Large Sites Policy	600[b]	1,200		
c) Make Affordable Ownership an Eligible Section 37 Benefit	1,140[c]	2,280		
2. Deliver More Value on City-Owned Surplus Land			Ongoing	City Revision
a) Speed up Affordable Ownership Partnerships	500[d]	1,000		
b) Implement Mixed Housing Opportunities	125[e]	250		
3. Invest in Affordable Ownership	65[f]	130	Ongoing	Federal/Provincial Funding
Total	2,430	4,860		

[a] Canada Mortgage and Housing Corporation. (2000). *Economic Impacts of Residential Construction.* Research Highlight, "Socio-Economic Series, Issue 43". (Ottawa: CMHC).
[b] Options for Homes. (2012). *Affordable Home Ownership Opportunities available to Residents of Toronto.* Presentation to Planning and Growth Management Committee Meeting March 22, 2012.
[c] Habitat for Humanity Toronto. (2011). *The Case for Habitat Housing as an Explicit Section 37 Benefit.*
[d] Build Toronto. (2009). *Annual Report 2009.* Based on redistribution of 1,250 affordable unit commitment from Build Toronto to 50% ownership and 50% rental housing – see reference below.
[e] Ibid.
[f] Based on renewal of the Investments in Affordable Housing for City of Toronto from 2014 to 2015.

Section B: Helping to Meet Affordable Rental Housing Demand

Action	Homes	Jobs	Status	Requirement
4. Federal Action Required to Provide a More Positive Tax Environment and Lending Incentives				
a) Support Federal Rental Housing Tax Incentives	TBD		New	Federal Revision
b) Support Lending Incentives for New Rental Housing	3,000[g]	6,000	New	Federal/Provincial Funding
5. Federal/Provincial Catalytic Investments				
a) Prioritize New Rental Construction and Reinvest in Programs	99[h]	198	Ongoing	Federal/Provincial Funding
6. Support Infill Rental Housing	TBD		New	City Revision
7. Pilot Rental Housing Innovations	200[i]	400	New	City Revision
8. Facilitate New Affordable Rental Housing on Surplus Land	625[j]	1,250	Ongoing	City Revision
Total	**3,924**	**7,848**		

[g] Federation of Canadian Municipalities. (2012). *The Housing Market and Canada's Economic Recovery, January 2012 – Recommendation 1.* Building Canada Rental Development Direct Lending Program.
[h] Based on renewal of the Investments in Affordable Housing for City of Toronto from 2014 to 2015.

Section C: Reinvesting in Private Rental Housing Communities

Action	Homes	Jobs	Status	Requirement
9. Support Tenants with Affordability Challenges			Ongoing	Federal/Provincial Funding
a) Increase Available Income Supports	1,196[k]			
10. Facilitate and Lever Opportunities for Repairs			Ongoing	City Revision
a) Invest for Impact	TBD			
b) Expand Local Employment Opportunities	TBD			
c) Leverage Rental Repair Through New Rental Construction on Infill Sites	TBD			
11. Rebuild Healthy Rental Communities			Ongoing	City Revision
a) Increase Partnerships in Rental Communities in Need	233[l]	466		
12. Encourage Provincial Action to Support Financing for Retrofit Projects	TBD		Ongoing	Provincial Revision
Total	**1,429**	**466**		

Total Guaranteed Outcomes, 2012 – 2015

Guaranteed Outcomes, 2012 - 2015		
Sector Issue	**Homes**	**Jobs**
A. The Opportunity and Value of New Affordable Homeownership	2,430	4,860
B. Helping to meet Affordable Rental Housing Demand	3,924	7,848
C. Reinvesting in Private Rental Housing Communities	1,429	466
Total	**7,783**	**13,174**

[i] Based on funds available from the Development Charges Reserve for affordable rental housing.
[j] Build Toronto. (2009). *Annual Report 2009.* Based on redistribution of 1,250 affordable unit commitment from Build Toronto to 50% ownership and 50% rental housing.
[k] Based on renewal of the Investments in Affordable Housing Program for City of Toronto from 2014 to 2015.
[l] Based on renewal of the Investments in Affordable Housing Program for City of Toronto from 2014 to 2015.

[i] Will Dunning Inc. (2011). *City of Toronto Economic Impacts, 2011.* Ontario: Canada.
[ii] ibid
[iii] City of Toronto. (2012). *Economic Development Committee – Economic Dashboard Report, February 2012.*
[iv] ibid
[v] Canada Mortgage and Housing Corporation. (2012). *Housing Now – Greater Toronto Area, January 2012.*
[vi] City of Toronto. (2012). *Affordable Housing Office – Special Request, March 2012.*
[vii] Canada Mortgage and Housing Corporation. (2012). *Housing Now – Greater Toronto Area, January 2012.*
[viii] ibid
[ix] Canada Mortgage and Housing Corporation. (2011). *Research Highlight – Long-term household projections – 2011 update.*
[x] Federation of Canadian Municipalities (2012). The Housing Market and Canada's Economic Recovery, January 2012 – Recommendation 1. *Building Canada Rental Development Direct Lending Program.*
[xi] City of Toronto (2012). Ward Profiles. *Retrieved from http://app.*toronto.ca/wards/jsp/wards.jsp
[xii] Greater Toronto Apartment Association. (2012). *Special Request, March 2012.*
[xiii] United Way Toronto. (2011). *Vertical Poverty.*

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